

THE HUD COMPONENTS OF PRESIDENT CLINTON'S  
ECONOMIC STIMULUS PLAN

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4.B 22/3:  
S. HRG. 103-65 \_\_\_\_\_ARING

BEFORE THE

COMMITTEE ON

BANKING, HOUSING, AND URBAN AFFAIRS

UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

PRESIDENT CLINTON'S ECONOMIC STIMULUS PLAN DIRECTED TOWARD  
INNER CITIES, DISTRESSED COMMUNITIES, ENTERPRISE ZONES, AND  
COMMUNITY DEVELOPMENT BANKS TO ENCOURAGE CREDIT AVAIL-  
ABILITY AND LENDING

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FEBRUARY 23, 1993  
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Printed for the use of the Committee on Banking, Housing, and Urban Affairs



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# THE HUD COMPONENTS OF PRESIDENT CLINTON'S ECONOMIC STIMULUS PLAN

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Tuesday, February 23, 1993

U.S. SENATE,  
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,  
*Washington, DC.*

The committee met at 10:05 a.m., in room 562 of the Dirksen Senate Office Building, Senator Donald W. Riegle, Jr. (chairman of the committee) presiding.

## OPENING STATEMENT OF CHAIRMAN DONALD W. RIEGLE, JR.

The CHAIRMAN. The hearing will come to order.

Let me welcome all those in attendance this morning. We are still meeting in a temporary meeting room as the normal refurbishing of committee rooms is occurring. We expect to be back in our normal committee room at the beginning of the next month.

Let me welcome this morning HUD Secretary Henry Cisneros, and also a very distinguished panel of mayors that have gathered from across the country. I will introduce the mayors just a little bit later.

We have the Secretary and we have the panel of mayors to provide the details and reaction to how the President's economic plan will affect the cities.

Let me say to you, Secretary Cisneros, that it is a particular pleasure to welcome you back so soon after your confirmation hearing here and your assumption of the job.

By every measure, you are off to a very strong and solid start. I want to compliment you particularly on the team that you have assembled and the leadership tone that you have established. I think that has been clear from all of the actions that I have seen you take to date. I think this is a very hopeful sign for our citizens in urban areas; in fact, throughout the country.

I also want to extend a very special welcome to Mayor Woodrow Stanley of my hometown of Flint, Michigan. I have great regard for Mayor Stanley and the important leadership that he is giving, particularly with the development of the University Park proposal in Flint, which is an important initiative.

As my father once served as mayor of Flint, I have a special sense of feeling and fondness about both that position and each person who carries forward to carry out those work assignments.

The other mayors that we have with us today come from Fort Wayne, Indiana; from Tampa, Florida; and from Cleveland, Ohio. I want to introduce them more fully later when we have them come forward.

Certainly, no issue is more important to this committee than the problems facing our distressed cities and our other troubled communities across the country. It's important to note that President Clinton's stimulus plan includes a significant boost for housing and for community development. In fact, Senator Sarbanes and I wrote to the President—President-elect at that time—on January 11, 1993, to recommend a series of initiatives that we thought would be most helpful with respect to really providing new help and lifting our distressed communities.

I'm pleased to say that each item in that letter that we recommended was incorporated in some form in the package put forward by the administration. I'm most appreciative of that and I know I speak for Senator Sarbanes in expressing his appreciation as well. And in fact, we'll make that letter of January 11, 1993, a part of today's record.

We urged not only investments in the areas I just cited, but also acknowledgment that infrastructure not only means highways and bridges and airports, but that it also can mean our neighborhood streets, our mass transit facilities, our local parks and community buildings, and certainly, and centrally, decent, affordable housing for the people of our country.

The President's stimulus program promotes local choice and provides needed help to distressed cities and their residents. It provides \$2½ million for Community Development Block Grants.

It provides \$423 million for housing the growing number of America's homeless people.

It provides \$244 million for rural housing, where we have major problems as well.

And finally, I would note here, \$1.5 billion in new mass transit grants.

Now this stimulus package will create jobs, but it's also part of a long-term economic development strategy that provides increased investment that is balanced by offsetting reductions in other Government spending, so that we not only are investing in a stronger economic future, but over time, bringing down the Federal Government deficit by reducing other spending in a balanced program.

Much of the investment package is directed toward our inner cities and other distressed communities, and that is good and long overdue. The proposal includes enterprise zones and community development banks. It also includes items from last year's housing act that members of the committee, including, importantly, Senator Bond, who is here this morning, worked hard on, on a bipartisan basis, to revitalize distressed public housing and to support community organizations that train disadvantaged youth while they are able at the same time to rehabilitate and construct housing units in their own neighborhoods.

I think it's important for Secretary Cisneros today to tell us how the administration is progressing as it works out the details of its Enterprise Zone and community development bank programs.

I and others in the last Congress also worked to craft what we call enhanced Enterprise Zone legislation, which combined targeted tax breaks with public investment in key areas to actually break the spiral of decline in distressed neighborhoods.



The concept was incorporated in the tax bill that was sent to President Bush and, of course, he vetoed that legislation, so it was not able to go forward. But during the campaign, President Clinton endorsed enhanced Enterprise Zones. In other words, to have the wrap-around items around the tax credits to make sure that we were putting the needed elements in so that Enterprise Zones could actually be successful.

I trust that the President continues to support that concept and perhaps the Secretary can speak to that today.

Another concern reflected in the President's investment proposal is the need to increase community development credit availability and lending. That is a top priority of this committee. In fact, we have already held this year two hearings on this topic, and we will hold another tomorrow. And I invite all who can to come back tomorrow for the hearing on lending discrimination. It will be a very important hearing and I think will point the way to different efforts that are needed to solve what is a very serious problem.

That hearing will focus on improving enforcement of fair lending laws to make sure that banks and other lenders are striving to properly meet the credit needs of communities in which they now do business, but which in many cases are credit-starved or redlined or otherwise discriminated against in ways that have led to their decline.

Obviously, that's got to change if we're going to get some new financial strength into those communities.

The President's plan also includes another new vehicle to increase access to capital, and that is, support for new financial institutions like community development banks, devoted directly to revitalizing distressed communities.

I sponsored a demonstration program along these lines in last year's housing act and I very much want to work with the administration on this broader initiative.

I commend the President for this important urban package with attention given to the community development banks, the Enterprise Zones with the enhancements, and also, the specific additional commitments of resources to urgent local needs such as I described at the outset.

We're very anxious to discuss with the Secretary the further details of what is planned here and how this will work.

Let me now yield to Senator Bond.

#### **OPENING STATEMENT OF SENATOR CHRISTOPHER S. BOND**

Senator BOND. Thank you very much, Mr. Chairman. It's a pleasure to join with you in welcoming the Secretary today.

I know it's a very busy time for you, Mr. Secretary, but we've been looking at some of the budget documents and we're still a little hazy on where we're going. We look forward to hearing your testimony. Knowing that the resources are very limited, we still must consider this in the context of the need to bring the budget deficit down.

We need to find out what's going to do the best job for the money available. There's a lot of enthusiasm. There's always a lot of enthusiasm for spending and a lot of people are going to be very per-

suasive. We need your guidance in helping to decide what will be the most effective way of spending the dollars that are available.

I look forward in your testimony and questions to a lot of enlightenment, and which I am badly in need.

The CHAIRMAN. Senator Boxer?

#### **OPENING STATEMENT OF SENATOR BARBARA BOXER**

Senator BOXER. Thank you, Mr. Chairman.

I, too, look forward to your testimony. I'm interested in certain programs that have been highlighted by my community back home, and I'll ask you specifics about that. And also, if you've done any more research on that, some of the funds that may be backlogged that we could put out there. I'm really interested in hearing what you've learned on that.

The CHAIRMAN. Very good.

Senator Murray?

#### **OPENING STATEMENT OF SENATOR PATTY MURRAY**

Senator MURRAY. Thank you, Mr. Chairman. I welcome you as well. I look forward to your testimony this morning.

I met with Seattle Mayor Norm Rice yesterday. He was sorry he could not be here today, but he sends you his best and told me to get back here and work with you.

The CHAIRMAN. Very good. Mr. Secretary, again, we're very happy to have you here today. If you want to introduce your colleagues, and then we'd be pleased to have your statement.

#### **STATEMENT OF HENRY CISNEROS, SECRETARY OF HOUSING AND URBAN DEVELOPMENT**

Secretary CISNEROS. Thank you very much, Senator. Thank you for inviting me back. I appreciate being here on the same day that Mayor Stanley is here from Flint and the other mayors are here from communities across the country.

As you know, I had the opportunity to make my own first presentation of the President's economic package in Flint last week. Thank you for your arranging the leadership of the community to come together so that that presentation could be made. I thought that was a very important and useful way to proceed and I appreciate it deeply.

I do want to introduce the other folks who are here. To my left sits Mr. Herb Persil, who is with the budget staff at HUD. Mr. Jim Forsberg, who is working on homeless programs and has done a very good job. And Don Patch, who is serving as the acting assistant secretary for community planning and development, within which the CDBG block grant program and the HOME program, as well as the homeless programs, are situated.

I have said on other occasions, I would like to say again, that one of the best pieces of news about the first month that I've had to serve as Secretary of HUD is the cooperation and the excellent work of the career civil service folks.

All three of these gentlemen are career civil service, who have really made it possible to move the Department quickly, and I'm appreciative to them.

Mr. Chairman and members of the committee, I am pleased to appear before you to discuss President Clinton's 1993 economic stimulus proposals for the Department of Housing and Urban Development. I welcome the opportunity to discuss with you the new directions President Clinton and his administration intend to take to meet the housing needs of the American people and revitalize the communities of our country.

It is my hope and expectation that with the cooperation of the Congress and particularly, this committee, the Department of Housing and Urban Development will forge a new working partnership with State and local governments, nonprofit organizations, the private sector, and others to meet the Nation's economic and housing needs in the years ahead.

The time has come to move forward with sound programs and policy initiatives to ensure an expanding supply of affordable housing, to stimulate general economic growth, and to invest in the rebuilding of the too-long neglected infrastructure of our large cities and small communities.

The President's economic plan, as you know, contains three major components: the economic stimulus, the long-term investment package, which is a 5-year budget, and deficit reduction.

Today, I am here to discuss the economic stimulus and how two of HUD's key programs—community development block grants and supportive housing for the homeless—have been put into the stimulus with significant new monies and how they can contribute to the stimulus for two vitally important and critical reasons.

First, to create new jobs and second, to provide immediate assistance for sorely needed public facilities and services, particularly to address the tragedy of homelessness.

As the President so forcefully stated in last week's State of the Union address, this administration's immediate economic priority is to create 500,000 new jobs now. Of that total, HUD's role represents approximately 71,000 jobs, beginning in the current year and continuing through calendar year 1994.

Mr. Chairman, let me take a few moments to briefly outline the specifics of how the Department plays a role in the stimulus package.

First, we're proposing to the appropriations committees \$2.54 billion of additional CDBG funding, which will be made available by formula to entitlement cities and counties and to States for distribution to small communities. The ratio, as you know, is 70 percent by formula to cities, and 30 percent to the governors for distribution within the States to smaller communities. Assistance will also be made available to Indian tribes and insular areas. These funds will be used based on local priorities for a wide range of housing activities, public facilities, and public services, but with the condition that projects undertaken be carried out within a relatively short period of time.

Specifically, this means that the grantees must complete all spending by December 31, 1994. We fully expect, frankly, that the spending will occur much earlier than that, and we'll encourage it and move heaven and earth to make that possible.

We realize that the timing is a fairly strict criterion, one which will cause many communities to act more quickly than they have in the past.

Nevertheless, we believe it is in keeping with the compelling reason behind economic stimulus to create jobs. I would like to say to the members of the committee that I have in front of me two documents which you may want to peruse. They are the U.S. Conference of Mayors surveys of communities in every State across America. Every one of your States and the communities within your States have submitted projects that they have previously applied for or set forth that would be funded with this CDBG increment.

This CDBG increment is \$2.5 billion, or about 60 percent of the annual \$4 billion allocation of recent years. So that you can see that what communities will get is their normal 1993 allocation, and then a bump, immediately, within the next months, of something equivalent to 60 percent of that which they're entitled to.

It is a significant sum of money that they can use immediately. Most communities have orders of magnitude of three or four or five times that amount of projects waiting. Our admonition has been that they have these projects engineered and zoned and environmentally prepared, so that when the Congress acts and when the funds are distributed, they can put them to work immediately.

The second program is that we're requesting \$423 million from the appropriations committees for the supportive housing program to provide much needed additional housing and services for the Nation's homeless families and individuals. And because of the strict conditions we've proposed placing on the awarding of these funds, including the December 31, 1994, spending deadline, the \$423 million will also contribute significantly to increased economic development.

We feel that these proposals are justified on the same two counts—job creation and providing absolutely essential help to the neediest of our fellow citizens.

Mr. Chairman, for me, personally, there is no graver responsibility as Secretary of HUD than addressing the persistent problem of homelessness in America. It is the reason why we made the case to the White House and to OMB that this homeless funding be included in this package.

Please keep in mind that the level of funding annually under this supportive housing grant is about \$150 million per year the last several years. To include \$423 million, then, in one lump sum of stimulus is about three times what the actual annual allocation for this program has been. So it is a very important stimulus initiative, as well as housing initiative.

We've seen the most defenseless and hopeless of our people sleeping on grates and huddled in the doorways of buildings vacated after the work day, people whose lives are as empty as the buildings that they use for shelter. This is not our vision of America and we must work together to restore care and dignity to those bereft of hope.

We need long-term solutions, a comprehensive, integrated approach to reducing homelessness in America. At the same time, we must meet the immediate needs and we're advocating, in addition

to enactment of a supplemental appropriation, more effective use of the surplus property program which allows the use of particular buildings, excess Federal buildings such as those on closed military bases, for the homeless.

Mr. Chairman and members of the committee, I believe there are solutions to every problem confronting our country and our people and we want to find those solutions and make them work. When I return to appear before you again in April, I will detail for you our specific proposals for improved and increased homeless assistance.

Now in addition to these two initiatives which require supplemental appropriations, these for CDBG and supportive housing, there are two more elements of economic stimulus which we're planning to implement and which I would like to share with the committee. Both of these were included in the President's program. They do not involve any new appropriations in 1993, but they are, nonetheless, exceedingly important.

These are, Senator Boxer, the kinds of issues that I referred to in my confirmation and which you made mention of a moment ago as finding funds that can be moved through the system.

The first involves our efforts to improve the administration of the HOME program so that it more closely conforms with congressional intent to increase the supply of housing for low-income persons.

Since issuance of regulations in 1991, and obligation of fiscal year 1992 funds, only 4 percent of HOME funds have been committed by participating jurisdictions and only 2 percent have been expended. Two-thirds of the 435 jurisdictions participating in the program have not yet set up their first project and local officials and housing providers have expressed growing frustration with the program's complexity.

To remedy this problem, we are taking several steps to reduce confusion, to simplify program requirements, and to expedite expenditure of the \$1.5 billion in 1992 funds already obligated and the \$1 billion in 1993 funds for which a notice of funding availability already has been published.

By April of this year, we'll publish regulatory changes which increase flexibility in the HOME program's implementation. Housing constituency groups have found the current regulations too restrictive, and we're accelerating the issuance of additional regulations necessitated by the Housing and Community Development Act of 1992.

The second initiative involves accelerating obligations and expenditures of two pools of appropriated funds for the Public Housing Modernization Program, where some \$3.2 billion was appropriated in 1993, and \$6 billion is unspent from previous years. This will significantly accelerate future modernization appropriations.

These actions will expedite necessary physical improvements to public housing, improve the quality of life of residents of public and Indian housing, and increase the supply of housing for low-income people. Accelerating expenditure of funds will also provide considerable stimulus to the construction industry.

Both HUD and public housing authorities must act with urgency to put modernization funds to work. Too many Americans live in public housing units badly in need of repair. We at HUD want to

be part of the solution and put the funds to work as they were intended.

So you can see, then, that with between those requiring new appropriations in the stimulus, \$2.5 billion of CDBG and \$423 million of supportive housing, and those programs for which appropriations were previously made, but for which the money has not been spent, and yet, for which there is demand and need, \$2.5 billion of the HOME program and a very significant \$9 billion of public housing modernization, that there is the real potential, even beyond the President's stated stimulus new requests for supplemental appropriations, to make a dent by moving funds through.

Mr. Chairman, that completes my statement. I would like to, in addition to referring to these two documents which outline the projects, also share with you a newsletter which we are publishing from the Department, entitled, "A Special Letter from the Secretary," when we have special things we want to communicate to our broader national network or contact base.

I believe it's being passed out to you now. The first issue of this newsletter focused on the two programs, the HOME program improvements and the public housing modernization. After having worked within the Department to set out a plan of action for moving that money fast, we're sending this newsletter to about 20,000 folks who run public housing authorities, community development departments, who are mayors and county officials, who are in the public interest groups, and who otherwise can help us move these funds the way the Congress originally intended.

I'd be happy to answer any questions that you or members of the committee may have. Thank you.

The CHAIRMAN. Very good. We've had two other members arrive. Let me ask—Senator Bryan, do you have an opening comment you'd like to make?

#### **OPENING COMMENT OF SENATOR RICHARD H. BRYAN**

Senator BRYAN. Mr. Chairman, I'm going to defer to the question period, but I would ask unanimous consent that a statement that I have made be made a part of the committee record.

The CHAIRMAN. Without objection, it is so ordered.

Senator D'Amato, did you have an opening comment?

#### **OPENING COMMENT OF SENATOR ALFONSE M. D'AMATO**

Senator D'AMATO. Mr. Chairman, I, too, will ask that the full text of my statement be placed in the record as if read in its entirety.

I'd like to welcome the Secretary of HUD and comment that in my statement, I mentioned one of the things that the Secretary alluded to, that we have \$11½ billion appropriated in that pipeline, and whatever we can do to expedite those funds should be done as soon as possible—I'm delighted to hear, Mr. Secretary, that that's something that you're moving on.

That's money that's there and it's a shame not to get it out. So I'm delighted to hear that you will be publishing the new regs as well to help us in that undertaking.

The CHAIRMAN. Let me ask you at the outset, you've now had a chance to size up the problem, take a look at the Department and how the Department is functioning.

You've asked for these additional initiatives which the President has included in the stimulus program and I want today to work off the supposition that we will get these things enacted and they will happen.

If you take these additional steps as a package and we go forward with it, what impact can we anticipate? What is this likely to mean for our communities? What's it likely to mean in terms of job creation? What do you foresee? In other words, what will the impact be if we follow through?

Secretary CISNEROS. Well, we estimate that the CDBG, for example, is something like 55,000 to 60,000 jobs immediately, and together with the supportive housing initiative, it can reach 71,000 jobs, of the President's suggested 500,000 job total.

So HUD then makes a 15 or so percent contribution to the total job creation that the President's stimulus package entails.

The reason that the White House and the Office of Management and Budget, the President, selected the Community Development Block Grant program in this package is twofold.

First, they do have reputations as job-creators; that is to say, communities know how to use these programs. They will immediately result in streets and paving and sidewalks and community buildings and school improvements and the whole range of things that CDBG is used for.

And as I say, if one were to go through this book, what one sees there is the backlog of specific projects that communities are ready to begin. So the channels of distribution are well established.

Second, they can move quickly. I expect, having talked to the mayors of the 30 largest cities and met with the National Association of Counties and met with the governors, that what you will hear is that they have projects that are now ready to hit the ground.

So the President's decision was when you're talking about a stimulus, you're talking about things that can really bite. That is to say, dirt flying, people working, in a matter of several months. And CDBG is the classic that you would employ in a stimulus environment.

The CHAIRMAN. Isn't it fair to say that with regard to the local officials, that with this additional money goes an obligation on their part not only to spend the money wisely, to pick projects and initiatives that are high-yield projects and that are going to have the greatest impact for the good in the community, but also ones that can move immediately.

Secretary CISNEROS. Correct.

The CHAIRMAN. Isn't there also an obligation on the part of the local officials to really get the wheels turning at the fastest possible speed, consistent with selecting the right objectives?

Secretary CISNEROS. Mr. Chairman, everything that I have tried to communicate to the local officials—county, city, and to the governors—has stressed that point.

Frankly, knowing that this was coming in the stimulus, I've been meeting for the last 3 weeks or so with groups of mayors, had the

mayors of the 30 largest cities in to see the President, for example. And at every point I had the chance, the argument that I made to them is, get ready, pick the projects.

We're going to be working with them closely to make sure that those kinds of projects are selected. But, obviously, in order to have the greatest impact for this summer, which is when we hope that this whole stimulus package takes effect, expedited moving through the Congress will be important.

The CHAIRMAN. Well, we'll ask the mayors about that today because that will give us a good cross-check, at least with these mayors, as to how rapidly they can deploy these resources.

Now on the homeless problem. From everything I can gather, the homelessness problem is increasing. We're having more and more people becoming homeless, in part because of the absence of jobs and in part just of financial stress in general.

A substantial percentage of our homeless are actually veterans, people who served the country in uniform and are now in circumstances where they are not able to sort of fit into the economic system and have, in fact, become homeless.

How many homeless people—the plan calls for \$423 million for supportive housing programs to try to get people out of doorways and out of cardboard boxes and off park benches and wherever they're now trying to just survive.

How many homeless people is it estimated we might be able to reach and at least get inside some kind of decent shelter and try to get their lives back together?

Secretary CISNEROS. Mr. Chairman, let me answer you directly and then, with your permission, I'd like to expand on it for just a moment.

The CHAIRMAN. Right.

Secretary CISNEROS. The direct answer is that, on any given night in the United States, it is estimated there are some 600,000 homeless people. That doesn't mean necessarily on the streets because homeless is also defined as being in an emergency shelter.

The CHAIRMAN. Right.

Secretary CISNEROS. But about 600,000 people who are not in their own home.

We expect that this program can reach something like 60,000 to 80,000 people. So, again, something on the order of ten percent of the total homeless on any given night could be reached by this immediate infusion of \$423 million. That's a pretty significant bite in one step.

Now, the longer answer. As I indicated to you during my confirmation, I can't feel a stronger obligation for the Department than to deal with the tragedy, and that's the only word to describe it, of homelessness in our country.

I, one night, one cold night—it took me an hour to get warm after I got home—walked through the streets of Washington with a nonprofit group delivering hot drink and sandwiches to homeless folks one night. And the only thing more stunning to me than an 8-month pregnant woman sleeping on the lawn of the Justice Department were a group of veterans, all served our country in the military, sleeping on a subway grate across from the National Archives.



Now, there are no simple answers because there are so many human problems bound up in the problem of homelessness. One-third of the homeless, it is estimated, are mentally ill. One-third of the homeless, it is estimated, are substance abusers. Another third are suffering economic homelessness, it is described, and that's a very complicated set of realities.

The truth is that the answer we must undertake must include different approaches to the shelter question—emergency shelters, transitional housing, permanent housing. It must include counseling, substance abuse counseling. It must include mental illness counseling and very importantly, nontraditional jobs.

The most common thing I have heard in talking to homeless people when I ask them, point blank, what would it take to get you off the street, is they say, I need a job. Now these are persons whose view of what they can do in the society may be very different from any traditional employer. They've had a drug problem or they had a bad work history or maybe their personal problems are just such that they're not a good fit.

But we're going to have to find some ways to do some unique things to put people to work because they really do say, if they had a job, they'd no longer be homeless.

The CHAIRMAN. Right.

Secretary CISNEROS. Let me close simply by saying, this program was selected, the supportive housing initiative, as opposed to other homeless programs, because it is the one with the greatest flexibility. It gives us the opportunity to do the range of things that I've just described—counseling, shelter, job training, other things we can do, and we will utilize it that way.

The CHAIRMAN. Thank you very much. Before we go to the next set of questions, Senator Bennett has joined us.

Do you have an opening comment, Senator Bennett, you want to make?

Senator BENNETT. No, thank you, Mr. Chairman.

The CHAIRMAN. Senator Sarbanes, do you have an opening comment you'd like to make?

Senator SARBANES. No, I'll defer, Mr. Chairman. I'm very pleased to welcome the Secretary here this morning. I do want to express my appreciation to him for these reports he's been giving to us by letter about efforts within the Department to address some of the problems, to speed up some of the allocations, to look at some of the management problems that exist.

I just want to say, Mr. Secretary, it's very helpful to have those reports and we appreciate them. I, for one, have been reading them with great care and attention and great interest.

Secretary CISNEROS. I appreciate the feedback on that. We have, as cabinet members, to report to the White House weekly. So we go through the exercise ourselves of looking at what we have accomplished weekly and sending that along to the White House. It's an internal process between the cabinet and the White House secretary.

What I have done is, every second week or so, compiled that and decided to distribute it in letter form to the members of this committee. I hope that it's useful to you and I would like to continue

to send that along so that you can get a sense for how we're progressing.

The CHAIRMAN. We appreciate that. We want to have that kind of relationship.

Senator Bond?

Senator BOND. Mr. Secretary, what steps would you take to make sure that the CDBG money will be spent quickly? Anything you need to do to get it out?

Secretary CISNEROS. I'm pretty confident that we have driven that message home to the mayors and the communities.

Now, there may be some provisions that will be discussed concerning recapture. Of course, the recapture here is not until December 1994. That's a reasonable period of time. That's all of 1993 and 1994. For a stimulus program, it well should have been used by that time. I don't think there's any other thing we need to do.

Now let me say that some communities will ask for waivers of some provisions of CDBG. I can tell you for certain that we are not interested in waiving the environmental regs or waiving labor-related regs or fair housing related regs.

Some communities will say they need low- and moderate-targeting waivers so that they can spend this money more quickly.

My initial inclination is to say, I'm not interested as Secretary in waiving low- and moderate-targeting because that changes the very essence of the CDBG program and its character.

And there are other elements of the stimulus that speak to broader reaches of the Nation so that this reaches a particular kind of population.

So I would just say for starters, though I reserve the right to review this with you, and anything like this deserves your consideration, in the final analysis, that I'd like to see the CDBG program implemented pretty much as you've written it, as it is, and I don't think there's a whole lot more we need to do beyond the safeguards that are there now to move the money.

Senator BOND. Neither you, nor I, were here in 1983, but I recall that we had about a \$1 billion CDBG stimulus package. I also gather from some of the professional staff that have been around since that time, that there were some problems with it and the money was not always spent effectively. Have you looked at that program to see what needs to be done differently?

Secretary CISNEROS. Well, I've heard the stories of that episode. All I can say is I asked the mayors of the 30 largest cities in. I was fairly explicit in indicating that if we were going to fight for this, then they were going to have to spend the money. They assured me that these lists are real, that they represent projects that are now engineered, now zoned, now environmentally cleared, that their needs list is about five times as great as the annual money they get, and that they have projects ready to go.

Senator BOND. There's one rather large city that I'm well acquainted with where the mayor and the aldermen got into a spat about how to spend the CDBG money and they wound up dividing it equally among all 28 wards in said city, which came out to about \$160,000 per ward, which begins to sound to me a lot more like walking-around money than community development money.

What kind of action can you take to make sure that the money that is spent, the dirt that's flying, is going to some purpose?

Secretary CISNEROS. I've had conference calls with the regional administrators and they in turn have been instructed to have similar conference calls with the area offices.

We will exercise a degree of oversight to make sure that the packages that are put together by the communities are jobs-oriented and are good projects.

Now we don't want to exercise such a level of bureaucratic control that we slow this whole process down. But the kinds of things that you have suggested, the abuses that you've suggested, they do exist and we have to work to prevent them. That's the mechanism we'll use.

Senator BOND. Moving on to other parts of the program, parts of your testimony, I happen to think that one of the things that just drives us nuts is your report that some two percent of the HOME program dollars have been spent.

This is really frustrating. You've outlined some regulatory changes. If you're going to do the regulatory changes, I'd like to hear a brief summary of those in the legislative changes.

This is money that we need to get out there. It's been in the pipeline and I think that our first priority should be getting the HOME funds and the public housing modernization dollars out the door because we know where they're going to be spent. What can you do and what do we need to do to make sure that happens?

Secretary CISNEROS. Well, I think we're doing what we can do now and the kinds of things that I've outlined in this newsletter on the regulatory and the new information.

In effect, what we've tried to do is to declare a new day on the HOME program and redesign it sufficiently that it is marketed to the communities as a new program. So many of them really are reacting to this as so impossibly complicated, that they've just got a block on it and refused to even relate to it. So we've got to sort of redesign it and roll it out anew.

As for the statutory changes, we're just now outlining what some of those things might be and we will bring you some of those.

But I suppose the objective lesson here is that this was a program that was supposed to make it easier to do housing and it's made it nearly impossible to do. This was a program—and I hear some of the mayors behind me because they've related these points to me time and again.

Frankly, there's lessons here about sort of finger-pointing all the way around as to why this has occurred.

Senator BOND. Should maybe we write simple legislation, maybe cut it down to just 20 or 30 pages?

[Laughter.]

Senator SARBANES. Let's not ask for the impossible here.

[Laughter.]

Senator BOND. Why not try? Thank you, Mr. Secretary.

Senator SARBANES. Mr. Chairman, could I just say "amen" to those points that Senator Bond was making?

The CHAIRMAN. It will be recorded that Senator Sarbanes said "amen."

[Laughter.]

Senator SARBANES. I think that's very important.

The CHAIRMAN. Senator Boxer?

Senator BOXER. Thank you, Mr. Chairman.

I want to associate myself with the comments of Senator Bond. Perhaps the fact that I'm not a lawyer, maybe I can help in keeping it a little simpler.

Let me just congratulate you on your priorities because I served as a county supervisor in California in the mid-1970's. And our experience with CDBG was a very positive one. And it was because we didn't like Washington telling us what to do. We wanted to have the flexibility.

I remember the rules then were pretty straightforward. They basically said, half of your funding has to be used on low-income housing and the rest to help the low- and moderate-income community. It was pretty straightforward.

Do you require now a match for the CDBG's? Do they have to get a match or it's full Federal?

Secretary CISNEROS. No. CDBG is not a match program. It is the most flexible and full Federal funding program.

Senator BOXER. The reason I ask is we always matched it. We always used it to leverage nonprofits to come in and some of our cities to come in.

So we were able to do some very large things, like build senior community centers and leveraging the money. CDBG later was used to buy, for example, land because it wasn't enough funding to build the building. Then we would get the land and we would get nonprofits in and private people in to help us with the rest.

I would mention that it does, in reality, at least in our case, it worked as a leverage.

I think that CDBG is an excellent choice and I would agree, if we can keep it as simple as we can.

In terms of the support of housing, is that the McKinney Act? Is that another name, the McKinney Act?

Secretary CISNEROS. It is one of the McKinney Act programs.

Senator BOXER. Right. Again, I commend you on this, and I want to pick up on what my Chairman said. He and I have talked pretty extensively about the veterans' housing problems.

It seems to me, as you look at the base closure act, this is one place. I would recommend you look at VA hospitals. The real estate is there. The services, Mr. Secretary are there, for drug treatment, alcohol treatment, physical ailments, and it's for the veterans. So I would say that.

Now, do you also have an FHA piece in your stimulus program, and a mass transit piece?

Secretary CISNEROS. No.

Senator BOXER. You do not?

Secretary CISNEROS. Let me say, there is no FHA piece in the stimulus. There are some FHA points in the longer-term investment package.

Senator BOXER. OK.

Secretary CISNEROS. And in the deficit reduction strategy.

As for mass transit, there is massive mass transit in the stimulus. The only Department that actually has more responsibility in the stimulus than HUD is the Department of Transportation.

Senator BOXER. OK. Let me ask you this. In the backlog, and I am completely stunned at the numbers that you have put forward today. I'm stunned on the one hand. On the other hand, it's an exciting thought that we can pump this much money in without having to go back and appropriate new funds. You're saying to us that there is \$6 billion of unspent appropriations for public housing modernization?

Secretary CISNEROS. There's \$9 billion.

Senator BOXER. \$9 billion.

Secretary CISNEROS. There's \$6 billion at the housing authorities and \$3 billion still within the Department.

Senator BOXER. Right, for 1993.

Secretary CISNEROS. Correct. It's out in the system.

Senator BOXER. The \$3 billion. But the \$6 billion is prior years?

Secretary CISNEROS. Correct.

Senator BOXER. And where are those dollars right now?

Secretary CISNEROS. Well, there is some quarreling as to how much is still in the HUD pipeline and how much is in the public housing authorities. They would say it's slightly less and that some of that shouldn't be counted as already in their hands.

We've had some arguments about that, but it's about \$6 billion in what ought to be the action end, out in the PHA's.

Senator BOXER. In other words, it's in the system and it's dedicated for modernization.

Secretary CISNEROS. Correct.

Senator BOXER. And yet, it hasn't begun.

Secretary CISNEROS. It goes back to 1989 funds.

Senator BOXER. For what reason?

Secretary CISNEROS. Some of it, one could argue, giving sort of credence to the other side, is that these are phased programs, like multiple phasing of modernization of a big housing authority development and some of that funding would come later in the phases.

But a lot of it, frankly, just hasn't been moved through to our satisfaction. And the regulatory burden is part of the mix. There's enough blame to go around, I think.

Senator BOXER. I don't want to blame anybody. I just want to know—so have you identified people within your organization who are keeping their eye on this?

Secretary CISNEROS. Absolutely.

Senator BOXER. And will some of this money go to fix up the 49,000 vacant units that we talked about at your confirmation?

Secretary CISNEROS. Absolutely.

Senator BOXER. So that we can house some people. I just wanted to tell you, I had some meetings with the community housing folks in California, and just for your interest, the seven programs that they wanted me to tell you, they felt have the best potential that they support, and these are folks who are really on the ground working hard—the HOME program, community development block grants, those were their two top. The McKinney homeless was the third. Continued full funding for section 8. Funding for section 202, which is supportive housing for the elderly. Section 811, housing for disabled persons. And last, the low-income housing preservation and resident home ownership act of 1990.

And since my time is running out, I wonder if you could, without taking too much time, with all the things that you have to do, and I think you're keeping your eye on the ball by concentrating on the funds that we can get out there now to meet our needs, to create jobs.

Have you given any thought to how we're going to preserve all these units that are now coming up where the mortgages are coming to an end?

Secretary CISNEROS. Senator, the answer is yes. Today's testimony is to focus on the stimulus, so I want to put this in its proper perspective.

Senator BOXER. Yes.

Secretary CISNEROS. The stimulus is the four elements that we've been talking about.

Senator BOXER. Right.

Secretary CISNEROS. But the longer term investment package, which is the next 5 years of budgeting, we argued very hard and worked with OMB and there is some \$1.3 billion worth of funds for preservation of existing stock.

We think that we made the case and got most of what we will need to deal with the preservation of existing stock, as well as to increase the CDBG program over the 5 years, as well as to increase HOME funding, as well as to increase vouchers for section 8.

Most of the important programs that you've just ticked off, that you've just delineated, are increased to what we think are substantial and appropriate levels in the investment package.

Senator BOXER. I will report that back to our community.

Mr. Chairman, I just want to say that—

Secretary CISNEROS. I'm very happy that the President has chosen the kind of commitment to the work of this Department in the investment package.

Senator BOXER. Mr. Chairman, I just want to say that what we've heard here today, both the stimulus package and the money in the pipeline, I think it's a very exciting moment for the American people because we're going to get at some of our intractable problems, create jobs as we do it, and most of the money is there, unspent.

The CHAIRMAN. Senator D'Amato?

Senator D'AMATO. Thank you very much, Mr. Chairman.

I might remind the Chairman and other members of this committee, on an institutional basis, that there was quite a debate. I lost out on it and indeed, a large number from my party opposed me in attempting to do away with more of the categorical grant programs and giving more in the way of the block grant program.

I remember specifically the 202 program, which is a great program, but finds itself with billions of dollars, historically, having been trapped in the pipeline, similar to what's taking place in other programs today.

So I commend the Secretary for anything and everything he can do to get that \$11 billion plus moving out to the people who need it. Some of the delay can be attributed to legitimate problems, impediments such as bids, getting the proper architect and making the selection. A lot of it has to do with historically, the prerogatives

that some in local government choose to exercise, with little relevance to the merit of going forward.

And it's with that view that I mention something, Mr. Secretary. I received just a few minutes ago a list of recommendations from the legislative representatives from the City of New York as it relates to Community Development Block Grant (CDBG). I'm going to ask my office to get it over to you.

I have to tell you what concerns me. They state that they would like to lift the public service cap, and it goes on and it says, currently, CDBG law restricts social service spending to 15 percent of the local grant in a given year. Because the aggregate value of the city CD program is currently almost at the 15 percent cap, as it stands now, the city would be unable to spend additional CD funding on crucial public service programs.

Here's really the disturbing aspect of this memo. And it is disturbing.

New York City has a \$2 billion projected budget deficit for 1994. New money allocated to New York City from the Federal Government would most likely be used to provide tax levy relief. They go on to urge that the cap be raised to 20 percent.

That's exactly what this Senator is concerned about. I understand the plights of cities. But as you and I both recognize, these dollars are to be used for construction, for those badly needed housing opportunities that we need, for job creation, and not for taking money from the Federal taxpayer and giving tax relief locally to the city halls and to the bureaucrats to get their hands on it.

I don't mean to sound disdainful of my colleagues in local government, having been a local supervisor. But, please. The city recommends that the cap be increased to at least 20 percent, the worst thing possible.

I ask you to look at this and be mindful.

Then there are a whole bunch of other recommendations and I'll get down to the last one. It just jumps out.

E, extend the deadline for submission of New York City's annual Grantee Performance Report—GPR, they call it—from 90 days to 180 days. And then they say, because it takes too much of their time.

My God, if they didn't make these reports, and I bet you they're 180 days behind in any event, you'd never have any kind of responsibility as to seeing to it that these dollars are properly utilized.

So I'd just ask you, Mr. Secretary, after having heard your testimony, don't grant them these waivers. This is not the purpose of giving \$2½ billion, so that the city halls throughout the country provide tax relief, as opposed to using these dollars for the kinds of modernization and housing programs and construction programs that are going to meet the needs of the community, and help stimulate the economy.

I'll send this over to you.

Secretary CISNEROS. Thank you very much, Senator. The purpose of this program is economic stimulus. It's the reason this program was selected, as against other things. This program was selected because we will focus on job creation and making those jobs come to pass quickly.

I assure you that will be the focus of our oversight with cities, counties, and communities.

The CHAIRMAN. Would you yield to me on my time, just to reinforce your point?

You answered earlier that you're going to have an oversight mechanism in place down through your regional offices and your local offices to make sure that this money is spent on the things that it ought to be spent on.

Secretary CISNEROS. Absolutely.

The CHAIRMAN. I want you to know that you've got the backing of this committee to see that that is done. I don't think that we should tolerate a single instance where this money is sort of misdirected. Not a single one. I don't care who it is or how attractively they make their plea. I think this money ought to go directly to the target. And if you have a problem in any way, you should let us know. I'm going to take that out of my time and not Senator D'Amato's time.

Senator D'AMATO. Mr. Chairman, you made the point and I think we all agree on this committee. When I see it so blatantly put, where they say we're going to use it for tax relief, I say, my gosh, that's exactly the kind of thing that this Senator is concerned about. It flies in the wrong direction of what we're talking about.

Secretary CISNEROS. Let me just say that the reason why this program was selected, a nuts and bolts, bricks and mortar, construction-oriented, traditional program was selected instead of, let us say, refashioning a revenue-sharing initiative which had a history of being used for tax relief and budgets and so forth, is because the interest was jobs and projects quickly.

So we will adhere to the spirit of why the President has this in the package, I assure you.

Senator D'AMATO. I thank the Chairman and it's good seeing the Secretary again.

Secretary CISNEROS. Thank you, sir.

The CHAIRMAN. Very good.

Senator Bryan?

Senator BRYAN. Thank you very much, Mr. Chairman.

Let me preface my questions by complimenting the Secretary on his performance yesterday in Las Vegas before the National Association of Homebuilders.

It's a great testament to your own skilled advocacy, Mr. Secretary, that not only did you have three standing rounds of ovation, but you also got a resolution of support from the homebuilder for the President's economic initiatives. And further, to compliment you for participating in a tour of our Las Vegas HUD office. The follow-up on that meeting has been very positive.

Just to give you a couple of additional pieces of information as a follow-up, FHA approval letters that were sent to the Las Vegas office as far back as November, are still awaiting approval. I promised to get some of that information for you and I'm sorry I didn't have it when you were there yesterday.

The subdivision approval, which, I am told, is about half a page, those are taking 6 to 8 weeks.



I'm fully supportive of your efforts to streamline and recognize that you're under some budget constraints, but those are some concerns that I have that I wanted to at least re-emphasize again.

Secretary CISNEROS. Thank you, Senator. If I may respond just briefly to that point.

Senator BRYAN. Sure.

Secretary CISNEROS. First, I appreciate your comments about my speech yesterday, but the truth is the homebuilders had endorsed the President's package before my speech. And I talked to Mack McLarty just before I went in to make the speech and he said—

Senator BRYAN. Well, they didn't change their position after you spoke, Mr. Secretary.

Secretary CISNEROS.—maybe you ought to just forget about making the speech. You might take us backward.

[Laughter.]

So they kept their endorsement intact after my remarks.

The second thing is that what I found yesterday at the HUD field office in Las Vegas was a badly overworked staff in one of the fastest growing communities in the country. But just one little observation, one little anecdote.

They're so badly—personnel problems are so severe, that they don't even have a receptionist at the office to greet the public. When you walk into the HUD office, there's a sign that says, pick up the telephone, if you're the public, and dial numbers to communicate with people in the system, because they've lost their clerical positions.

It's a serious problem. I've got to deal with that, and I assure you, we're going to get them some staffing. Even with the cutbacks, we've got to deal with real needs and that's a real need.

Senator BRYAN. I appreciate that and that message was received loud and clear by the staff.

Yesterday, at the press conference that followed your presentation to the homebuilders, you were asked about the FHA reforms. Let me follow up on that, if I may.

I recognize, in fact, I lament it, that FHA is playing a less significant role in the overall scheme of things in terms of providing affordable housing to Americans.

I recall the first home that my family purchased in 1943 in Las Vegas was FHA-financed. Without that availability, perhaps we would not have been able to qualify as a family for that home.

In Nevada, in particular, FHA, as you know, still plays a very, very significant role. Let me invite you to discuss with more detail, if you can, what your thoughts are in terms of changes for FHA.

Secretary CISNEROS. Well, the first thing is to assure that FHA can play the substantial and important role that it has played traditionally in making affordable housing possible and ensuring the housing needs of the American people.

At various times in our history, FHA has insured in any given year as much as 50 percent of the housing being built in the country. At this moment, FHA's role is down to about 4 percent, on the average, nationally. Now that's not true in Las Vegas, where they're insuring a lot higher because of the price structure of houses in Las Vegas.

We're working with the FHA staff to try to identify what are the things that we need to do to make sure that FHA is the positive force that it can be. That deals with the ceiling issue. It deals with the closing costs questions. We're exploring risk-sharing arrangements that can be carried out with State housing agencies and other well-capitalized entities, despite the coinsurance problems of recent years.

We're exploring additional revenues that can be generated by increasing FHA business. All of those things are the kinds of issues that are under discussion, trying to find the buttons that we can push to make sure that FHA is a significant player again, as I feel that it's in the country's interest that they be.

Senator BRYAN. Have you given any thought specifically to the controversy that attends the amount of financing costs as part of the closing that can be financed?

Secretary CISNEROS. Yes, sir. That's the issue of the 100 percent versus 57 percent.

Senator BRYAN. Yes.

Secretary CISNEROS. We are aware of that and I'm particularly aware, the FHA staff prepared a memo for me the other day that looked at the correlation between the affordable housing and first-time homebuyer statistics, and something as simple as whether FHA covers 100 percent or 57 percent of the closing costs.

When we cover only 57 percent for people who may have a downpayment of just a couple of thousand dollars, it goes up by maybe another 50 percent. So, suddenly, they have another \$500 or \$750 or \$1000 in the downpayment. They just don't have it, and it renders the house beyond their reach. It is a significant issue and we need to be attentive to it.

And I will say to you, while it is at this point a matter of discussion between OMB and the Department as to what is the right thing to do on that issue, we at the Department hope to be able to make the argument that we would try to stay within the overall deficit target for the Department, but not give up on critical goals like this affordable housing, first-time homebuyer goal of FHA.

Senator BRYAN. Mr. Secretary, I note that my time is expired. Let me wish you well as HUD becomes part of the solution rather than part of the problem.

Secretary CISNEROS. Thank you.

The CHAIRMAN. Thank you.

Senator Bennett?

Senator BENNETT. Thank you, Mr. Chairman.

Mr. Secretary, you referred to the regulatory burden as being part of the problem in getting the \$6 billion out of the pipeline in your exchange with Senator Boxer. I'm interested in that. That sounds like a businessman talking, or a mayor talking about unfunded Federal mandates.

What regulatory burden are you talking about? What has really slowed down the movement of money in this regard?

Secretary CISNEROS. Well, there are any number of regulations and levels of oversight that have been part of the public housing modernization funds. That's the \$9 billion that I was talking about in that case.

They are not the sort of big-picture objectives that one might imagine—asbestos issues or lead-based paint, that are the slow-down. I think those are legitimate questions and human safety and well-being is at stake there, and we're not talking about those.

But where there are multiple layers of review that slow down things unnaturally, and where people are held to standards that violate common sense.

Senator BENNETT. Again, you're sounding like a businessman. Where did these come from? Did they come from us? Did they come from Congress?

Secretary CISNEROS. No. I'm not going to say that they've come from the Congress in this case.

I think that what we find is the slow accretion of patterns of behavior within large organizations and bureaucracies that, after while, sort of lose touch with the way things work.

I was walking through the Department, as I've tried to do a couple of days a week for about an hour, greeting employees. I came to one cubbyhole down somewhere on one of the floors and walked by a lady. She seemed diligent and hard at work at what she was doing, but it struck me as kind of an odd task.

So I looked over her shoulder. I asked her what she was doing. She was matching quarterly reports from an organization out in the country with their original application, and literally matching line by line to see whether, not just the general thrust of what they had intended to do, but the precise wording, even grammatical content, was the same. And she had the power to hold up their CDBG funds if this had not matched exactly in her eyes.

Well, we would repeat that through the structure——

Senator BENNETT. I'm fascinated by the conversation. Did you do anything about it? Do you have the power to do anything about it?

Secretary CISNEROS. I think over time I have the power to do something about it, but I can't change that in one conversation. We are attempting to imbue in the Department a sense of relating to the needs of using some sense of responsiveness and of attempting to bring, as I say, some common-sense values to our relations with local communities.

Senator BENNETT. If you don't have the power to do anything about it, who does?

Secretary CISNEROS. Well, I think I do, over time. I can't say to an employee within the organization, stop doing what you're doing, because she is responding to supervisors and layers of supervisors. But over time, we can change some of the sense of direction, and we intend to do that.

Senator BENNETT. May I applaud you for your adoption of management by walking around, which is one of the principles that I used in the business that I ran. All too often, it gets forgotten by a chief executive officer, but that's exactly the kind of thing that you ought to be spending an hour a week or whatever, doing, and I applaud you for doing it.

Secretary CISNEROS. Senator, even more valuable than actually walking around the central headquarters is going out to field offices like I did yesterday in Las Vegas, where, frankly, what the people told me after I finished my little spiel on CDBG and HOME and so forth, as I asked them questions and listened to what they

needed and how they could do their job better, was just a very valuable expenditure of an hour yesterday in Las Vegas.

Senator BENNETT. If I may suggest, you might suggest that your assistant secretaries and your commissioners and others down below you also practice management by walking around.

Secretary CISNEROS. Good suggestion.

Senator BENNETT. And catch onto that. Let me move quickly to mass transit.

One of the things I learned when I was at the Department of Transportation was that it's a great temptation to spend money, but really doesn't make any sense if you don't have a mass that needs to be transited. Many cities compete for mass transit funds without in fact having that mass.

Would you comment on how the mass transit funds will be spent in terms of the kinds of projects you're looking at to get this quick turn-around that you say is the primary function.

This amount of money you're talking about, I imagine could all be spent in Los Angeles immediately without going any place else to find a place to spend it, and maybe that's the thing to do, because Los Angeles is suffering for more unemployment certainly than my State is.

But do you have a formula? How are you approaching the question of the spending of the mass transit funds?

Secretary CISNEROS. Senator, all of the mass transit funds are at the Department of Transportation. Our Department has really no input or relationship to mass transit funds, except to the degree that it makes sense to collaborate so we don't do damage to our urban development objectives.

In other words, we don't want to create circumstances where the life is drained out of the central cities because of the way projects are designed, because of their ability to move the lifeblood away.

But the funding decisions, the formula decisions, are all at the Department of Transportation.

Senator BENNETT. I see. Mr. Chairman, will they be coming before us to be available to answer that question?

Senator SARBANES. The mass transit administrator comes before this committee for his confirmation.

The CHAIRMAN. He comes before this committee. So we will do that and that will be the appropriate time in which to raise that question.

Senator BENNETT. I see. Fine. Thank you.

The CHAIRMAN. I might just say before yielding to Senator Sarbanes, that Sam Walton, who was certainly one of the great, not just retailers, but I think entrepreneurs and managers, practiced the management by walking around. He would fly around, but go to the stores and go in and talk with people.

I think your observation about the strategy that the Secretary is employing is a very sound one and I certainly want to associate myself with it.

Senator BENNETT. I did it myself and it works.

The CHAIRMAN. Senator Sarbanes?

## OPENING STATEMENT OF SENATOR PAUL S. SARBANES

Senator SARBANES. Thank you very much, Mr. Chairman.

Again, I want to repeat my welcome to the Secretary and to his colleagues from the Department who have come here this morning to be with him. I gather these are the troops in the trenches that help you do the job. We're pleased to have them here with you this morning.

Secretary CISNEROS. Senator, if I may, I said at the outset that one of the most pleasant developments of the last month for me has been to realize the quality of professionalism in the career civil servants and the top folks in the Department.

I had to decide early on whether we would wait for the political appointees to take their positions or use this time and get under way.

I decided, literally, about 2 days after I arrived there, that I would treat the career civil servants as if they were holding the full-time permanent jobs and just go to work immediately and give them the full responsibility and authority to act on key programs.

And let me say how happy I am that they've accepted that responsibility and we've tried to move aggressively here in this first month with their help.

Senator SARBANES. Now I'm concerned about the following. I wonder whether you sense that the State and local people who will receive the increase in the CDBG money, and the public housing authorities with whom you interact who will be getting these speeded-up allocations, appreciate in a sense that the programs themselves may be at stake here.

In other words, a number of these programs have been under attack in the past. Many of us have thought that they are important and that they are worthwhile. And we're trying to create a new climate here to make this thing work and to give people some resources with which to work. But the people getting the resources have to really put them to work for the purposes for which they are intended.

This story that Senator Bond told is a distressing sort of story if it becomes the pattern rather than one of us—a clear exception, which everyone else condemns.

I think it's very important. I think the stimulus program is important. I think one of the things that the President has tried to do is to harmonize the stimulus program with what his long-term objectives are.

Secretary CISNEROS. Correct.

Senator SARBANES. So we're trying to get stimulus, which I think we need in order to give the economy sufficient momentum that it can then withstand the contractionary impact of the deficit reduction program without going into a nosedive, and it can keep moving upward, restoring jobs, putting people back to work.

But the President has been very clear that in addition to giving that momentum through the stimulus, he also hopes to accomplish important objectives that fit in with the long-term goals of his program.

Secretary CISNEROS. Right. Investment.

Senator SARBANES. And that means that the State and local people that are going to be putting this money out have really got to be sure that it's going into projects that are, one, fast response time, and two, where they really are producing very positive things

that you don't look back sometime later and say, well, what did we get for that money, and no one can really point to anything.

We want to see a housing project that was in bad shape brought up to standard, et cetera, et cetera.

What is your sense of the extent to which this is understood and appreciated by the people with whom you're interacting?

Secretary CISNEROS. Senator, I think it is understood and we have used every forum and every vehicle. You see this new newsletter that we're putting out that tries to make that point. I will continue to stress it.

That's part of why I will be so careful on this issue of waivers, because I do believe that, where CDBG is concerned, for example, that the program has been well thought out, that it is designed for a particular reason. It has worked well. And that I don't want to tinker with a well functioning program because we want to move this money quickly because I think they can move it quickly and hold to the guidelines.

I'm very confident that where CDBG is concerned and where the homeless program is concerned, that we can move it quickly and adhere to the guidelines.

Now the other issue is the HOME program. It has within it some of the same questions that you raise.

I have told them that I thought the future of the HOME program is on the line because if we cannot move more than 2 percent of HOME funds, and that program comes up for reauthorization at some point, but it has such a spotty track record, then I wouldn't blame members of the Congress if they concluded that the program was so faultily designed or administered, that it ought not continue.

And so, the stakes are pretty high here in terms of how the HOME program goes forward. We're going to do everything we can, including bringing you some suggestions, further suggestions for statutory changes, so that we can make this program work as it was supposed to.

Senator SARBANES. Well, of course, the HOME program was designed to give maximum flexibility and discretion to the State and local people, interacting with the private sector, both nonprofit and profit.

Secretary CISNEROS. They would argue that the stringent income guidelines, at X-percent below 60 percent of median and so forth, and the local match, as well as other statutory provisions, make it nearly impossible.

Communities that have lost funds over the last few years and have no discretionary money at all at the local level, have no match.

A case in point. Mayor Bradley of Los Angeles was in to see me last week. The only way he's going to be able to use the HOME program to respond to the civil disturbances environment in Los Angeles is that the disaster designation makes it possible to waive the local match.

Now he can use it. If it had required a local match in his case, HOME would have been unattainable, not usable.

Senator SARBANES. We'll certainly look at that, but the rationale was, first of all, the local match brings you the investment of more resources.

Secretary CISNEROS. Sure.

Senator SARBANES. Second, and perhaps more importantly, the local match was perceived as the control mechanism for giving this extensive discretion to the local level.

It's one thing if you're getting Federal money, you've got to put—whatever it may be, 25, 30 percent of your own money, in order to use it. The assumption is, well, you're going to have some greater concern about how the money is being spent than if you're getting 100 percent Federal grant.

Of course, what we did is we lifted, or sought to lift, maybe it's not working out exactly that way, sought to lift some of the Federal controls, put more discretion at the State and local level, but we said, well, you've got to put in some of your money to ensure that you're going to be more concerned about controlling the use of this money.

It's an interesting challenge because there are tremendous needs in this area where we're working, in community after community. And if you can meet the needs, you're responding to one of the most basic of our social problems.

On the other hand, there have been a lot of abuses in these programs in the past and, in fact, I think that the Department under Secretary Kemp was crippled to some extent by that. They were so concerned with trying to remedy the abuses of the past, that it was hard for them to get a forward-moving aggressive program in terms of getting things done.

And somehow, we have to get over both of those hurdles, both the abuses, to make sure there are no abuses, and to get a strong, forward-moving program.

Secretary CISNEROS. Senator, I am not bringing you a recommendation at this moment on the statutory issues in HOME. We will, in due course.

The match is described to me as a problem. I will give you my own judgment at the next hearing on whether that is one of the things that we need to work with.

But the HOME program right now, stated just as directly as I can, is troubled in its existing configuration. We're doing what we can on the regulatory side.

We may need some help.

The CHAIRMAN. Thank you.

Senator SARBANES. Well, move it into places where it works. We ought to be rewarding the good actors in this process here, I think. Those places that can really get themselves up to standard, and ought to be able to move, even if the others are lagging behind.

Secretary CISNEROS. What I found is 2 percent of the funds expended, and communities have basically turned away, have turned away from the program because they looked at it and it just was too complicated for them and they're gun-shy.

We think we're seeing a little movement by redesigning it, and then putting on an all-out marketing push. Marketing in the classic sense. That means redesign it, readvertise it, and promote it.

The CHAIRMAN. Senator Domenici?

## OPENING STATEMENT OF SENATOR PETE V. DOMENICI

Senator DOMENICI. Mr. Secretary, I'm very pleased to welcome you here and to see you again. And certainly from the standpoint of your understanding of this program, I compliment you on it.

I see the whole package a little different than you and I would just like to go through it with you and see if I understand the numbers without necessarily agreeing with the labels.

Secretary CISNEROS. The HUD numbers? I'm prepared to talk about the HUD portion of it. I'm not going to do real well talking about the whole package.

Senator DOMENICI. Well, I think, from my relationship with you over the years, and my understanding of what you do, you know a little bit about the American economy. You study it a lot. Your expertise certainly is not limited to HUD.

I think you have spoken eloquently from time to time about the American economy and what we ought to be doing or not doing. So I thought maybe I would just ask you if a couple of these things aren't true.

The deficit for 1993 is projected to be \$332 billion. If you took off your HUD hat and put on your generalist hat about American economic well-being, if we're already spending \$332 billion more than we take in—that's the definition of a deficit, normally—and normally, that would be stimulus. Under normal economic definitions, the extent to which you spend more than you take in, that's stimulating the economy.

I surmise that we wouldn't have any difficulty agreeing that that's a very large stimulus in existence right now for the year of 1993, would we?

Secretary CISNEROS. Keynesian economics would say that a deficit is generally stimulative, that's right.

Senator DOMENICI. Yes. But my question is, in economic history, not necessarily countries that have had inflation go wild because they may have had stimulus of three times larger than this in terms of percentage of their gross domestic product. But this is very large for America at \$332 billion, is it not?

Secretary CISNEROS. The President believes it is too large. It has built up over the last number of years and it now approaches 5.4 percent of our total gross domestic product, which is a very significant drag on gross domestic product. It is the reason why he has proposed a deficit reduction package.

As he says, no one would propose a deficit reduction package for the sake of it. The pain is too great to do it for the pain. You do it because bringing it down is essential to the long-term well-being of the economy.

Senator DOMENICI. So, Mr. Secretary, let me just suggest that the \$18 billion in new expenditures for the year 1993, which you choose to call stimulus—

Secretary CISNEROS. Correct.

Senator DOMENICI. And I obviously don't accuse you of anything, other than you must believe it's a stimulus.

But let me ask, do you really believe that in the scope and scheme of the American economy, that \$18 billion more in deficits for the year 1993, is going to be a major stimulus package for the American economy?



Secretary CISNEROS. Let me answer in two ways.

First, as Chairman Greenspan has said, it is a number that is manageable in the context of the overall deficit reduction scheme. So it is not an addition of some major problem, for sure.

Second, the President is correct, I believe, in his conclusion that this recovery has been a jobless recovery. The overall, absolute number of unemployed persons today is as high or higher in absolute terms than at the depths of the statistically measurable recession.

Senator DOMENICI. Sure.

Secretary CISNEROS. So that the President feels that targeted investment of this kind is necessary for two reasons.

First, to give the economy a lift when it is still sort of not clear that it will fly.

And second, to mitigate some of the potentially contractive effects of the courageous deficit reduction strategy that he is supporting. In other words, the spending cuts in the next few years and the increases in some revenues, might have a contractive effect, and well-targeted stimulus funds and job creation can offset that.

Senator DOMENICI. But the point that I would like to make is that the President and you might choose these new spending priorities as things you really want to do. The mayors want them. The governors want them. The county officials want them.

But I would submit that the American people can pass judgment on whether we should spend \$18 billion more in 1993 and not pay for it, just add it to the deficit in the name of stimulus, when we already have a \$332 billion deficit which is also a stimulus.

It would seem to me that we're going forward with a set of new domestic add-ons that the President of the United States wants. But in the scheme of helping economic growth, it would seem to me that the best that could be said about it, it will be neutral, have no effect on growth. And the worst that we'd probably have is we're going to be paying about \$55,000 to \$60,000 for each new job you allegedly create with the Government spending.

Now you can go to your own arithmetic later, but I think I'm pretty close. If the jobs you claim you're going to create in the public sector cost that much money, then just simple math says they're very, very expensive for the taxpayer.

So my first point is, under existing law, you would have to go out and find some cuts some place else for that \$18 billion. The President proposes not to do that, but just to go ahead and spend the \$18 billion this year.

You don't have any objection to that statement. That's a true statement, isn't it?

Secretary CISNEROS. Senator, let me just say with respect to your earlier point leading up to this. About 60-percent-plus of the American people, when polled, believe that the recession is not over.

Senator DOMENICI. Well, of course.

Secretary CISNEROS. And a critical part of restimulating, revitalizing the economy is consumer confidence. There need to be those moments of exercise of leadership when things are done to assure the American people that some movement is occurring.

So much of economics is a social science. That is to say, it is psychology. The President's conclusion, I think quite correctly, is that

without some indication of someone in charge, and that's where the stimulus fits in, that there won't be that boost in consumer confidence.

The other piece is that you said at the outset we might disagree ideologically, philosophically on these. And frankly, these are investments. Not, as you said, just things the mayors want, but more, as Senator Sarbanes said a moment ago, things that tag in to the larger investment strategy.

This is a different philosophical cut. It is a change. It's, frankly, what the people spoke about in November, about a change. And this is a change. It's one of those moments when a President has heard the people and responded with a change as they requested.

Senator DOMENICI. The point is, however, I'm not at all sure that the American people understand that we are not going to decrease domestic spending during the next four or five years. I'm not at all sure that they understand that they are going to be expected to pay \$293 billion in new net taxes, and there are no domestic spending savings. None. Because you add more than you cut.

So it seems to me that they might not agree that they want to pay taxes so we can spend more money.

Secretary CISNEROS. Sir, it may be true that there are no domestic savings in the net. What happens is that the revenues have gone up in this timeframe and, yes, expenditures have gone up. But the deficit is reduced by half in the process and that's where the President has had his eye, is on the reduction of the deficit.

It goes down from 5.4 percent of GDP to 2.7 percent of GDP in this timeframe. It is cut in half as a drag on the gross domestic product. And in the meantime, there is a reprioritization toward investment, that philosophical difference that we described, which is a role of the Government, an interventionist role of the Government in investment, in technology, in manufacturing, in trade, in education, in health, et cetera.

The CHAIRMAN. Excuse me, because we're well over the time and another Senator has arrived that hasn't had a chance to speak yet.

I'm willing to keep the Secretary here as long as you feel we need to have him. We can go through a second round or as many as you need, but I think we've got to essentially stay within the time limits as we go back and forth here.

Senator DOMENICI. Is Senator Dodd next?

Senator SARBANES. Mr. Chairman?

Senator DOMENICI. I wonder if he'd allow me to go 5 more minutes.

Senator SARBANES. If Senator Dodd would permit, I'd like to engage Senator Domenici on one very important point of the presentation he's made.

Senator DOMENICI. I'd be pleased to do that.

Senator SARBANES. The \$332 billion deficit is not a stimulus. What is a stimulus 1 year to the next is the difference in deficit.

We were given a deficit figure, in effect, by the Bush administration. Now that's the consequence of the existing conditions of the economy. If you took a figure that it was at \$330 billion and had a figure of \$310 billion for the next year, that would be a \$20 billion contraction, not a stimulus, even though you were running a \$310 billion deficit.

I don't think you'd disagree with that, would you?

Senator DOMENICI. Well, I don't know about the word contraction. It would be reducing the stimulus by \$20 billion, if that's what you want.

That's what I believe.

Senator SARBANES. No. Your Federal budget for that year would be contractionary because you would be taking out more in comparison with the previous year. You've got to look at it year to year.

We, in effect, were handed an economic situation and a deficit figure by the outgoing administration and the Congress—the administration and the Congress working together—but that's the figure.

Now that's where the President is working from. So the amount of stimulus that he's going to be getting is not \$332 billion. It's the difference this year over the previous year. And then in the following years, of course, he has a very strong contractionary impact on the economy.

I want that point very strongly registered because you're working with a deck that's been handed to you, so to speak.

Senator DOMENICI. You said you wanted to engage in a little dialog on that issue.

Senator SARBANES. Sure.

Senator DOMENICI. Let me suggest to you, I have not heard a single economist that would say the deficit is not a stimulant, whatever the size.

Now if the Senator is trying to make the point that somehow or another, if you run a consistent deficit, it's not a consistent stimulus, I never heard such an argument, but perhaps you would like to make that.

Senator SARBANES. What the economists will tell you is that the stimulus of this year's budget is in comparison with last year's budget. And whether it provides a stimulus to the economy over the previous year depends, in effect, on what it does in terms of the deficit.

If you reduce it, it's not providing a stimulus. It in fact is a contractionary fiscal policy, not an expansionary one.

So you have to take the previous year's figures and make the comparison year to year. The outgoing administration handed the new President, in effect, the deficit figure. Now the next year, whether you're going to, through fiscal policy, contribute to expanding or contracting the economy, depends on how you work off of the figure you were handed.

But that figure was already in place and that covers the vast amount, the vast percentage of the number you're talking about.

Senator DOMENICI. Mr. Chairman, might I respond?

The CHAIRMAN. Well, just briefly, and then I want to go to Senator Dodd.

Senator DOMENICI. Senator Dodd, would you allow me 2 minutes?

The CHAIRMAN. But I have questions, too, Senator Domenici, and I'm happy to have you come again, but I don't want to start taking double turns each time or we're not going to have a workable situation.

Why don't you go ahead and make your point?

Senator DOMENICI. Might I just say, my point must not be liked because, normally, you accommodate a little bit.

The CHAIRMAN. Well, I am accommodating. I'm giving you a chance to make another comment.

Senator DOMENICI. Thank you.

The CHAIRMAN. What I'm not prepared to do is give anybody two question periods in a row, Senator Domenici.

Senator DOMENICI. Thank you, Mr. Chairman.

The CHAIRMAN. And I don't think it's fair to ask for one.

Senator DOMENICI. I want to make two last points. We have had a very eloquent speaker give his version of this, and I would like to give mine.

First of all, I do not believe the American people today understand that this 5 year deficit reduction package is made up of \$293 billion in new taxes, \$24.5 billion is new user fees, \$62 billion is interest savings because you raised taxes and lowered the deficit, and the entire spending reduction is \$82.6 billion. Defense cuts in that period are \$112 billion.

So, essentially, domestic spending is going up. Part of the reason it's going up is because we have a new theory. And that is that if we say we are investing the money, somehow or another, it's different than spending the taxpayers' money.

My last point is if the thought is that the deficit is going to come down with this big exercise, let me just make sure that everybody understands that in 1992, the deficit is actually \$290 billion. In 2003, the deficit will be \$400 billion. So the deficit won't go down. These are the figures in the budget of the President. It won't go down, it will go up.

I only make that point because I truly believe we may have an ideological, philosophical difference. It may be that spending money, even when you're in a huge deficit position, if you want to call the expenditures an investment, then that's good fiscal policy and not negative.

Thank you very much.

The CHAIRMAN. You know, I'm going to say, just before yielding to Senator Dodd, it's sort of astonishing to me that we followed a different strategy for 12 years. We had 8 years at the movies with Ronald Reagan. Then we had Bush and Quayle. And we got huge structural deficits and we tried that strategy that the Senator from New Mexico is talking about.

The American people just voted on it. They voted it out.

Senator DOMENICI. Yes, but—

The CHAIRMAN. Now let me just finish. We listened to what you had to say.

The American people voted that out because it wasn't working and they decided they wanted to try something else. Now you may not like the something else, but the public decided they didn't want to keep trying your plan and the plan of your party. And so, they voted that out and they voted in a new plan.

Now we've got the new plan on the table, and I'm not surprised that it's not to your liking, but you've got to understand something and that is that the public just had a chance to vote on that.

Let me call on Senator Dodd.

## OPENING STATEMENT OF SENATOR CHRISTOPHER J. DODD

Senator DODD. Let me begin by observing that I spent a good hour—although it seemed like longer than that at the time—with my friend Senator Domenici on John McLaughlin's program last Friday. I felt like I was in a tag-team wrestling match. Now maybe my colleague from New Mexico appreciates what that felt like.

[Laughter.]

Generally, I think there is somewhat of a philosophical difference here. But there are other factors, I would say to my colleague from New Mexico, which have not been brought into consideration. One is health care costs.

Senator SARBANES. Which explains out-year deficits that the President has been very candid about.

No, I mean that. We've had smoke and mirrors and the President, in effect, has laid out these deficit reduction figures and then the point he's made to argue for the health care program is that, given the projected rise in health care costs, you're going to have a problem in 1998 and beyond.

Now he's going to do a health care program to bring health care costs under control to try to avoid the very thing you were trying to point out in your chart. There's the problem.

The CHAIRMAN. Let me introduce another problem. We have a group of mayors here today that have come from across the country. They need to be heard—

Senator DODD. Mr. Chairman, can I finish?

The CHAIRMAN. I want you to finish.

[Laughter.]

Senator DODD. I'm going to hold onto this microphone, too, I might add.

[Laughter.]

The CHAIRMAN. Hang right onto it. I'm going to have you finish. But then I want to bring this debate to a close because we're off the point of where we need to go. And I do want to hear from the mayors. They're here. They've been asked to testify. They've got important testimony.

Senator DODD. Well, Pete, don't leave now.

The CHAIRMAN. You finish your time.

Senator DODD. Pete, you've stirred things up. Now why don't you sit down and relax a little bit here.

The CHAIRMAN. Senator Dodd?

Senator DODD. I think the health care factor is a critical one that has to be dealt with as you look at those numbers.

But also, as the President said over the weekend, and I don't know how much more clearly he could say it, that he would much prefer, much prefer to deal with the budget deficit by reducing spending as opposed to increasing taxes.

And I don't know of anyone here that disagrees with that approach. If you are going to question his approach, if you're going to raise pie charts, and use them in the context you have without getting into the health care discussion at all, then you also have an obligation to start talking about where specifically further cuts could occur.

And it doesn't have to be a lengthy debate. If you're looking at where Federal spending is, you've got 50 percent of it basically in

entitlements, some 20-odd percent, a little more than that, in defense, 14 percent in interest payments, and 14 or 15 or 16 percent in all other functions of Government.

So it seems to me that we all know where the money is here. Maybe my colleague from New Mexico wants to cut the veterans programs. Maybe he wants to cut social security benefits.

That's where the dollars are. If we're going to leave out defense or only have a modest cut in there, it seems to me that to make the case, that this particular program is unworkable or unacceptable, mandates immediately that those who advocate such a position return and offer an alternative.

In the absence of doing that, all you're doing is trying to torpedo an idea that took a certain amount of guts and courage to lay out before the American people the other night.

I would just tell my colleagues, I don't know if they've done this, but I had a hearing in my State yesterday for 2½ hours. I invited the world, basically, to come. I had major defense contractors. I had health care providers. I had labor. I had taxpayer groups, consumer groups, and mayors from large and smaller cities.

And what I found was stunning. While certain manufacturers are worried about the tax on energy, and defense contractors are clearly worried about defense cuts, everyone supported the thrust of the President's proposal.

Without exception—and this is what was stunning to me—without exception, the business community, the taxpayer groups, the consumer groups, and the mayors supported the plan. I went down the line and I asked every one of them the same question either at the beginning or the end of their testimony—do you want me to support this or oppose it?

Without exception, they said, we want you to support it. We might want to make some minor modifications but, overall, we want you to support this.

They are sick and tired of partisan bickering.

That message is loud and clear. Of course, the President's plan is not written in concrete. The President has said, bring us some better ideas, modify this, change it, but let's get about the business of getting this economy moving.

Mr. Secretary, one last thing, what happens if we don't make the investments the President has proposed? Does anyone suggest this gets easier? A month? A year? Five years from now?

What happens to Bridgeport, Connecticut? What happens to Hartford and New Haven? How are we going to turn around the decline in economic activity and incredible unemployment that's going on?

Do you think it gets easier? Is the State supposed to assume the entire responsibility, or the local communities? Communities are now funding local projects with 70 percent of the resources coming from residential property taxes and 30 percent from business taxes. How do you sustain that?

The CHAIRMAN. You can't.

Senator DODD. What happens? We cannot just sit here and fiddle while Rome burns and understand the price of everything and the value of nothing.

So you've got to do a lot more work than just put up a few pie charts and throw out a few selective ideas or numbers that don't, in fact, reflect exactly what is going to be going on in terms of health care. And you need to consider what happens if we don't make investments.

What happens with housing costs? What happens in terms of unemployment benefits? What happens in terms of people who are not getting proper education and health care? What happens if some child doesn't get into a Head Start program?

Those are all factors. I don't see those in anyone's charts. What happens to those numbers if we don't do these things?

I don't know if you've got a quick response, Mr. Secretary, but—

[Laughter.]

I'm holding onto the microphone, too.

[Laughter.]

Secretary CISNEROS. Well, sir, what happens is that the problems in our country become more severe. And there is a reason why the President has chosen to act, and that is that he understands a very special moment in American history.

What his analysis is telling him is that, unlike the normal circumstance in the public mood when people want the status quo because they're afraid of change, at this moment in American history, more people are afraid of the status quo, of things staying as they are, more people are afraid of present projections carried out to their logical conclusions than they are of change and risking something.

They're supportive of this in the margins. They are, 60 percent plus all across the country, because they understand the logical consequences of letting the deficit continue to grow, because they understand the lack of investment and what it has meant in terms of jobs, communities. And I think I cannot state it any more clearly than you have.

Senator DODD. Thank you very much.

The CHAIRMAN. Let me just say, if we're going to start another round here, I have four items that I want to raise with you.

I'm very sensitive to the time because we've got a series of mayors that we've asked to come and we're not going to be able to accommodate them unless we go to them here very shortly.

I have questions with you on the issue of community development banks, HUD's role. I have a question for you on reverse red-lining. On an environmental clean-up bill that's been put in. And also on the issue of a national infrastructure corporation. All of these would take time. I'm not going to raise those questions now.

Secretary CISNEROS. I'll be happy to get answers in writing for you, if you'd like.

The CHAIRMAN. Let me just say, Senator Domenici, can I have your attention for a minute. Senator Sarbanes? Senator Dodd?

We all have strong feelings on this issue and we have, in a sense, commenced a debate today on the substance of these larger plans and so forth. We can obviously debate that the rest of the day. I don't think this is the place to do it further because we're going to have opportunities to do that on the floor and when we mark up bills in here.

I think we've had a good discussion. I think the positions are out there. I'd like to submit my questions for the record.

Secretary CISNEROS. I'd be happy to respond.

The CHAIRMAN. If the other members are prepared to do that, we can release the Secretary and get to the mayors. Would that be agreeable all around?

Senator DOMENICI. Mr. Chairman, as you know, I selected this committee just because I wanted to be part of the banking and housing activities. I have two others meeting and I have to go.

If you would permit me, and this would obviously get rid of me, I would just want to make—

The CHAIRMAN. There's more than one way to get rid of you, but I'd like to accommodate you if I can.

[Laughter.]

Senator DOMENICI. Well, the only one you have much control over is this one, in terms of getting rid of me. The other part somebody else has to do with.

The CHAIRMAN. No, I understand.

Senator DOMENICI. And they're pretty far away from here, out in New Mexico.

[Laughter.]

I just want to make this statement and then I will not ask a question.

The CHAIRMAN. Is it a statement or a question?

Senator DOMENICI. I just want to put this on in response to my wonderful friend, Chris Dodd.

The CHAIRMAN. Well, let's understand. I want to be accommodating, but if we're going to continue the debate, then I want to set a ground rule and we'll go back and forth on the debate for a while.

I think it's a trespass right now on the work of the committee. We've got a cabinet secretary here that's prepared to answer questions on the issue that he's come to testify on. I think he should do so. If there's a question in that area that relates to what he's here about, we should take the time to do it.

We've got a series of mayors here who have come from across the country. They've got important testimony to give us. And frankly, while I want to be accommodating, I'm not prepared to be accommodating just to continue a debate on polemics here today, however strongly held, when we've already had that debate. And I don't think further debate right now really advances the work of the committee.

I don't want to be arbitrary about it. If you've got a question you want to ask the Secretary about anything he's testified about today, I'm prepared to hold other things up so that you can do it.

I think that's fair.

Senator DOMENICI. I'm at your command, Mr. Chairman. I've stated my case. I will state it much better later on when I have more of the details. But for now, I appreciate your unwillingness to want me to proceed with an observation. I'll do that at another time.

I thank you very much.

The CHAIRMAN. Mr. Secretary, we thank you for your appearance today.

Secretary CISNEROS. Thank you, Senator.



The CHAIRMAN. It's been very helpful to the committee. Let me excuse you now and let me invite the mayors to come forward.

Secretary CISNEROS. Thank you.

The CHAIRMAN. Let me invite those that are going to be here for the next part of the hearing to find seats and let me invite those that are leaving to make their way out as quickly as they can in an orderly way.

Let me introduce now the mayors that we have with us today.

We have Mr. Paul Helmke, the mayor of Fort Wayne, Indiana, representing the U.S. Conference of Mayors.

We have Mayor Stanley from Flint, introduced before.

We have Sandy Freedman, who is the mayor of Tampa, Florida. We're delighted to have her with us.

And we also have Michael White, who is the mayor of Cleveland, Ohio, who is also representing the U.S. Conference of Mayors.

I'm a little sensitive on the time situation today for all of you because I know you have flights to catch and such. And so, I'm going to go down the list and if anybody has a particular time pressure, please so indicate to me.

We'll make your full statements a part of the record. And if you can try to summarize as best you can so we've got some time for questions, that would be helpful.

Mr. Helmke, we'll start with you. Then we'll go to Mayor Stanley and Mayor Freedman, then Mayor White.

#### STATEMENT OF PAUL HELMKE, MAYOR, FORT WAYNE, INDIANA

Mayor HELMKE. Thank you, Mr. Chairman.

It gives me great pleasure to appear before the committee today on behalf of the U.S. Conference of Mayors. I come before this committee not only as a mayor, but as a Republican, to support the economic plan that was laid out by President Clinton last week.

The current president of the Conference of Mayors, Bill Althaus, of York, Pennsylvania, is also a Republican. Last week, he held a press conference here in Washington to announce that the bipartisan U.S. Conference of Mayors did endorse the Clinton plan in its entirety.

Further, Mayor Althaus directed the conference to use the staff resources and commitment and energy to support the plan in its entirety and to assist in any way we can to see it enacted.

I'm here today to lend my support as mayor of Fort Wayne, Indiana, on behalf of citizens and cities, large and small, all across the country for the principles that are embodied in the Clinton economic recovery plan.

As we see it, these principles are simple—fairness, progressivity, and support for our Nation's urban communities.

Furthermore, the plan addresses the important and often ignored issue of the Federal deficit, which virtually exploded during the 1980's.

As we see it, this plan shifts our fiscal emphasis away from the special interests, and focuses our resources more toward the public interest. Meaningful public investment for both short-term and long-term in our physical and human infrastructure, should be the goal which we strive to reach during the 1990's.

We put together a list of infrastructure needs in our cities throughout the country; infrastructure needs, not wish lists; things that need to be done now and can be done now.

The plan that was announced by President Clinton last week is tough medicine. Nobody likes taxes. We mayors know that as well as anyone. But if they are administered on an equitable and fair basis, if they're truly used to enhance the future of our country and its citizens, if they will provide a better tomorrow for the generations to come, then we must in good conscience accept them.

The spending cuts outlined in the Clinton plan are also tough medicine for some. However, if they seek to balance the needs of the present with the goals of tomorrow, they should be welcomed.

The President's plan will not work unless these spending cuts are approved, along with the taxes and the stimulus package.

As a Republican, I encourage the fiscal discipline outlined in the Clinton approach. As an American, I encourage members of this committee and Congress as a whole to adopt the package, to help provide a brighter future for our children and their children.

And as a mayor, I encourage you to help bring about the essential reordering of priorities in our Federal budget by recognizing the end of the cold war abroad and the existence of the struggle for survival, as well as success, in each of our urban areas.

Mr. Chairman, I appreciate having had the opportunity to address you. We do have the list of projects that are ready to go, and I'd be happy to answer any questions that you might have after all the mayors speak.

The CHAIRMAN. I appreciate your comments very much and they're very helpful to us.

Mayor Stanley, let me welcome you again. It's a delight for me to have you here personally and on behalf of our home city. We'd like to hear from you now.

#### **STATEMENT OF WOODROW STANLEY, MAYOR, FLINT, MICHIGAN**

Mayor STANLEY. Thank you, Mr. Chairman and members of the committee.

I would have stated good morning earlier, but it's almost good afternoon at this point.

I appreciate the opportunity to come before this committee to discuss the housing and community development components of President Clinton's economic stimulus plan.

It is an honor to sit before this committee and discuss a plan that could have such a powerful impact, not only on Flint, but on the cities and towns throughout this Nation.

The timing of this hearing could not have been more appropriate for my community. Just last week, we presented a comprehensive urban investment plan for Flint and Genesee County to our congressional delegation, led by yourself.

In all candor, it was not until the completion of this plan that I realized just how great the needs of my community were. I am certain that the urban communities throughout the Nation are no different than Flint. I knew urban America was decaying—I knew my community had some giant problems—but the level of decay and the depth of the needs was overwhelming.

If my community has such needs, the needs of larger urban communities, as represented by my other mayoral colleagues on this panel, are just as staggering.

It is the premise of our urban investment plan to get at those staggering needs.

We believe that Flint could effectively serve as an urban laboratory for the rest of this Nation. We have offered to act as a model for developing and testing new ideas, techniques and approaches to provide long-term, systemic solutions to urban problems.

The proposed findings—covering economic development, education/training, infrastructure, housing, health and social services and law enforcement—will be relevant and replicable in other economically distressed areas.

Like President Clinton, we in the Flint area believe that we are charting new ground to make our community globally competitive.

If our plan is funded, there is little doubt that Flint, Michigan, will undergo an urban rebirth, providing economic stimulus for growth and prosperity.

We would like our success to impact the Nation's success. We are confident that President Clinton's plans for housing and community development fits nicely with our hopes for providing an infrastructure that will empower our community, and our Nation, to meet and surpass the economic challenges of the 1990's and the 21st century.

I want to talk just for a moment about what impact the additional \$3.6 million that has been projected as available for the City of Flint, what impact that would have on our community.

One, it would provide the ability to conduct \$3.6 million worth of improvements to infrastructure within low- and moderate-income neighborhoods. Our efforts would more effectively and efficiently support the efforts in housing, including the repaving of streets, new curbs, new sidewalks, sewer lines, and water lines where needed.

We could use funds to increase our efforts for housing demolition. The additional CDBG funds would allow us to demolish 900 units, as opposed to the 50 units our current \$200,000 in block grants allows.

The City of Flint has more than 2,500 vacant units that need demolition—a restricted 50 units per year is far from breaking even.

The additional funds could be used to provide 144 purchase/rehab/resale units, which is a program that enables the low- and moderate-income families to become homeowners.

Our community could also use the funds to rehabilitate housing to provide safe and sanitary homes to our low-income residents.

If some restrictions were removed from CDBG funds, we could make loans or provide equity to business start-ups or business expansions to provide approximately 360 new jobs.

And finally, the nonprofit sector could also benefit from the funds if the 15 percent public service limit were removed. The nonprofit sector could use the additional funding to increase services to the homeless men and women in our community and create additional credit at the food bank, increase training and recreational opportu-

nities for the unemployed youth of our community, as well as a variety of other services.

I believe that President Clinton's plan is an important first step to addressing the long-term needs of urban America. If approved, the plan would provide the means for allowing urban communities, communities like Flint, to address such critical areas that have long been unattended.

Mr. Chairman, I will stop at this point and be available to answer your questions.

The CHAIRMAN. Thank you very much, Mayor Stanley.

Mayor Freedman, we're delighted to have you and we'd like to hear from you now.

#### **STATEMENT OF SANDY FREEDMAN, MAYOR, TAMPA, FLORIDA**

Mayor FREEDMAN. Chairman Riegle and members of the committee—

The CHAIRMAN. Could you pull that mike a little closer so that they can hear you better in the back of the room?

Thank you.

Mayor FREEDMAN. The people of Tampa have put together the best housing partnership in the country and we're always excited about being able to share that kind of a situation with decision-makers, in order to help you help us do an even better job, and also, to enable similar success stories elsewhere.

In your initial letter of invitation to Secretary Cisneros, you requested commentary on the economic stimulus and long-term investment impacts of the President's plan.

Secretary Cisneros further suggested that I remark on how this will affect Tampa, especially with respect to selected programs, and that's what I would like to do. However, there are a couple of observations which I think I make on behalf of all the mayors which apply to everything we do with HUD which we have to call to your attention.

There's been a great deal of talk in the Capitol about stimulating the economy via a one-shot infusion of funds into ready-to-go, local public works projects. We're happy to do that, all of us are, I think. In fact, the City of Tampa has submitted all, and you've seen them all here, to the Conference of Mayors and to the transition team and to the administration, and also to the Senate.

Gentlemen, your cities are ready to go. The problem oftentimes is that the beltway definition of ready-to-go and ours are not the same.

President Clinton's proposal to grant Secretary Cisneros the authority to waive statutes and rules that impede spending is the best news of all. And without such action, we're concerned that our shared goal to immediately stimulate the economy could be stymied by the usual meaningless regulatory and bureaucratic exercises which seem to bog down the expenditure of even the tiniest Federal grant.

We strongly urge that this Congress articulate a loud and clear Federal policy that ready-to-go means ready-to-go. Limit the strings. Trust the competence and dedication of your local elected officials. We work for the same people that you do. We all want to

get the most out of hard-earned tax dollars by investing them in actual projects and job creation.

We don't have any interest in wasting time or money on a whole new generation of hoops and forms.

You've asked how Tampa and other cities could be helped by the President's fine program. You can help in a big way by helping him help us hit the ground running when the monies become available.

Now let me talk about a few specifics.

First, we are thrilled that the Secretary would like our view on what we consider to be one of the most beneficial Federal investments in neighborhoods; that's the CDBG grant.

Can Tampa wisely invest the anticipated \$3 million supplemental CDBG in the administration's plan? Are we ready-to-go?

I hate to say, are you kidding, but some people don't think that we are. We've spent our 1993 CDBG allocation in Tampa. In fact, our regular funding is obligated long before we even know what we might get.

We have an endless number of projects. If you give us this new money, we could create first-time home ownership opportunities with existing housing, convert abandoned cigar factories to housing, rehabilitate blighted and boarded-up multifamily units, and do an adaptive re-use of a former hospital to low-income housing.

We could, I'm sure, probably do more. And we can do all of this within 30 to 45 days.

Many people wonder how this is possible. The beauty of our approach is that the "we" is broadly defined. We have a vital public/private partnership which thrives on leveraging. You talked about leveraging earlier this morning.

In the last 3 years, we have turned \$25 million of Federal funds into \$75 million, and we've created 3627 new and rehabilitated affordable housing units.

If we get \$3 million from the CDBG supplemental, we will turn it into at least \$9 million. That's bricks and mortar, jobs in construction and related businesses, in sales and services.

So we strongly endorse that component of the President's plan.

The Secretary asked that we speak also to President Clinton's directives to accelerate HOME funds.

We were very optimistic about the potential of HOME, but have been frustrated by its implementation. HOME is a mess of regulatory requirements, as you have already heard. Nationally, you have heard the numbers that only four percent of HOME funds have been committed by participating jurisdictions and only 2 percent have been expended. We're spending ours, but it drives us absolutely crazy.

HOME slams the door on the partnership participation that we in Tampa believe is the proper approach. They're our lifeblood and that's how we can leverage those dollars.

Despite that, we've committed all of our 1992 funds and are working on those for 1993. HOME is hardly what we would call ready-to-go, though. It needs cleaning up and the President aims to do that, as he said. We respectfully request that you help him liberate HOME and junk all of the restrictions which keep us from getting the most bang for the buck.

Treat HOME like CDBG. Pair minimal, up-front regulation with a good audit trail. Then the dollars will do what you want them to. Hit the street and start stimulating the economy.

Let me touch on one more subject, that of the homeless.

The President's budget would provide one-time funds for HUD supportive housing program. That's certainly helpful to us.

Tampa has approximately 1,800 people sleeping under freeways and in open areas, especially this time of year when so many come down from this kind of weather up here.

Since partnerships are the linchpin in everything that we do in Tampa, we also serve the homeless through a dedicated mix. Currently, our homeless coalition serves about 500 people each night. This is, regrettably, just a stop-gap measure.

The President's additional supplemental funding and incentives for integrated approaches would breathe life into a wonderful plan, which now resides on paper in our community—a homeless campus complex, an expansion of our current Metropolitan Ministries operation.

Without this special funding, it will be years before we can make this dream come true, if at all. With new dollars, we could be permitted and construction-ready within 45 to 60 days. This program would be a model for the country. This premier in service delivery for the homeless would offer a variety of services, from housing to job training, all at one location. Our vision also includes family care facilities, nutritional programs, vocational opportunity, a clinic, veterans' services, and more.

Today, the Metropolitan Ministries' homeless center struggles to help 200 to 300 homeless, about 30 family units, in various capacities. If expanded, as I outlined, this crucial partner could serve at least 500, and in a much more meaningful way.

I also was prepared this morning to talk to you about public housing, which we in the City of Tampa do not directly provide under my jurisdiction, but I'll leave that to another day.

Let me again say thank you for including us. I refer to the importance of partnerships several times. We don't call them public/private partnerships any more in Tampa. We call them community partnerships.

But you are among our most valuable and important partners. President Clinton has challenged us to do what the American people have been doing—certainly in my city—making the most out of very tight budgets. He has a plan. We think it's a good one. And we hope that together, we can make it a success.

Thank you very much.

The CHAIRMAN. Thank you, and we appreciate all your comments today. We're taking them very carefully into account, I can assure you.

Mayor White, we're pleased to have you and we'd like to hear from you now.

#### **STATEMENT OF MICHAEL WHITE, MAYOR, CLEVELAND, OHIO**

Mayor WHITE. Thank you, Mr. Chairman.

The CHAIRMAN. Let me also say to any of your colleagues, I know some of you have plane reservations and so if anybody has to slip

out, we will understand that and feel free to do so, if time requires that.

Yes.

Mayor WHITE. Thank you, Mr. Chairman. Senator Riegle, Senator Dodd, we appreciate the opportunity to appear before this committee today on behalf of the U.S. Conference of Mayors.

At the outset, let me emphasize the central message which you have heard from three of my colleagues and which you will hear from me; namely, that we wholeheartedly, and without reluctance, support the President's short and long-term economic development investments and will work tirelessly to ensure their enactment into law as an entire package.

In that capacity, let me reiterate the position consistently taken by the past 2 years, over the last 2 years by the Nation's mayors. That is simply that an economic stimulus package is needed and that there are capital projects in our cities that are ready-to-go that will employ people immediately.

Equally important, we as mayors can look out——

Senator DODD. Can I just interrupt you and ask each of you, how many people do you think you would be employing with projects that are ready to go? What would you estimate?

Mayor WHITE. We have estimated between 100,000 and 150,000 people, and we consider that to be a low ball estimate in our largest cities.

Mayor HELMKE. We have identified almost 4,400 projects which could be started within 120 days and completed by the end of this year. That's from 470 cities. We calculate that the employment potential is 263,000 jobs, 264,000 jobs.

Senator DODD. That's nation-wide.

Mayor HELMKE. That's nation-wide.

Senator DODD. Terrific. Thank you. I apologize for interrupting.

The CHAIRMAN. Go ahead, Mayor White.

Mayor HELMKE. And that's just in block grant and transportation.

Senator DODD. Ready-to-go projects.

Mayor HELMKE. Ready-to-go.

Senator DODD. Not a wish list, not something you're thinking about down the road, but stuff that's ready to go.

Mayor HELMKE. Definitely. Plans are done, ready to move in 90 to 120 days.

Mayor WHITE. Equally important, we as mayors can look out beyond the walls of our city halls and recognize that America will never have a viable future if it is built on a house of cards fortified by debt, based on false promises and a short-term view of life.

In the words of a 92-year-old Clevelander I talked to 24 hours after the President's speech, she said, and I quote: "Mayor, it's time to pay the piper."

We agree. If these spending cuts and investments aren't made, gentlemen, our future as a world economic superpower and the future of our children are indeed grim.

Last week, the conference, as you have been told, released a two-volume survey indicating these 4,400 construction jobs that Mayor Helmke talked about just a moment ago.

We believe and we have heard that the economy is in a recovery. But let's not be fooled by the appearance of the economic indices alone. There is a human side to an economic recovery. It has to do with those fellow citizens who are not fully participating in the recovery. It has to do with those who have been left behind by 12 years of neglect. It has to do with jobs.

Even Business Week, just this week, recognizes that we are in a recovery, but, and I quote: "The economy is growing, but employment lags badly." We believe, as they have said, the President's plan can address the perplexing dilemma.

In addition to Business Week, the Department of Labor says that this recovery has produced virtually no job growth compared with typical recoveries. Job growth in the current recovery is merely 0.2 percent, while job growth in a typical recovery is 6.5 percent. It truly is a jobless recovery. In fact, the Business Week article goes on to say that this recovery is a recovery without a heart.

The Conference of Mayors has produced a monthly account of real unemployment in America's largest 30 cities over the past six months. When you include those who are too discouraged to look for work and those who are working part-time, but desiring full-time work, the real unemployment level in the top 30 cities of this country is consistently more than double the official national rate.

The CHAIRMAN. Right.

Mayor WHITE. Between July and November of last year, the latest month for which inner-city unemployment data is available from the Bureau of Labor Statistics, the real unemployment rate in Cleveland is estimated to average 18 percent. According to the conference, while the official national rate averaged 7.5 percent, I can tell you that 18 percent is a conservative number.

In Detroit, Senator Riegle, real unemployment is estimated to be an average of 23½ percent. Cleveland and Detroit are not alone, gentlemen.

The CHAIRMAN. I might just say, if I can just interrupt you. We just had an analysis, too, on poverty levels among children. The number-one city in the country in terms of the high rate of poverty among children is Detroit in my home State of Michigan. I think Flint ranked fourth on that.

This deprivation of jobs is literally putting our children in the inner cities in impossible circumstances, in every possible way, whether it's medical services, enough food, the whole works.

Mayor WHITE. Senator Riegle, let me give you a startling percentage, a startling statistic that I have no doubt parallels not only Detroit, but a number of cities in your community, also yours, Senator Dodd.

In the city of Cleveland, we have approximately a 40-percent, 41-percent poverty rate. Sixty-six percent of all the children in the city of Cleveland who will go to school tomorrow will be living in poverty. Seventy-one percent of all the kindergartners and all the first-graders are living in poverty.

So what you have at this point is a situation where the youngest, both in terms of children and in terms of child-bearing families are the poorest in our communities. And Cleveland has been touted as America's come-back city. We have done a lot to be proud of. We've got the largest public works program going on in the city of Cleve-



land today. We just completed the financing for a \$92 million rock 'n roll hall of fame. There's a lot to be proud of.

But given those statistics and given the reality, the emphasis on the youngest and most defenseless is most important in terms of not only job creation, but the kind of matters that you've pointed up.

Mr. Chairman, let me just say in conclusion that we've come today to deliver several messages. One, that we understand that there is some pain in President Clinton's plan.

But we also believe, as men and women who have to balance budgets every single year, that there will be no gain in our cities or in this country without this pain.

Second, that if we don't make these investments now, it's not just our relationship to each other as Americans, but it's our relationship as America, our cities in this country, to other cities all across the world. And without these investments, we can no longer call ourselves the economic superpower that we are.

Third, we've not only come to indicate our support for this program, but we've come, in the words of Mayor Freedman, to say that we want to be partners, that we have the ability to not only be funded but to take these projects, get them out of the tunnel in our city halls and to get people working.

Will it solve all of the problems in our cities? No, it will not. But I will say to you after 3 years of being mayor and after 15 years of being involved in cities, it is a major first step toward putting our citizens back to work in this country.

Thank you very much.

The CHAIRMAN. Thank you very much and thank all of you.

I'm going to yield to Senator Dodd in just one minute. I want to show you, in addition to the news magazine you brought, this is the Fortune magazine issue just out. This is another major business periodical, obviously. They have as their headline, "Jobless." And then they have the pictures here of a lot of well-dressed professional people. It goes on to say on this cover, the new unemployed are older and better educated than before and stand to be on the street a long, long time.

So this problem of joblessness which is so pervasive in our inner cities is now such a serious national problem, that even a business journal like Fortune magazine is featuring on its cover experienced and seasoned, highly trained individuals who also can't find work.

This is a problem that goes really right across this country, and I think it helps to underscore the fact that we can't wait any longer to get a serious plan in place. I'm not going to, in the absence of Senator Domenici, reopen the debate because we closed that debate, at least for now.

Senator Dodd?

Senator DODD. Well, Mr. Chairman, first of all, I want to thank the mayors for coming and sharing their thoughts.

I was particularly impressed with the number of projects that are ready to go and the number of jobs that would be created. Because I think there's a concern that the stimulus package is just going to sort of create make-work programs and contribute to the deficit and really not going to generate any level of economic activity.

That's what I thought was so critically important. I apologize to you, Mayor White, for interrupting you as you were just starting, but I thought it was so important to make the point that we're talking here about the creation of 250,000 jobs, particularly among people and families that are facing the worst of economic times in trying to make ends meet and care for their families.

I would say to you, Mr. Chairman, I think that's an important article there in *Fortune*, and to add that I think the statistic is that 50 percent of the jobs that exist today in this country did not exist 25 years ago. The type of jobs that are available today are much different than they used to be. And the skills that are needed are changing at a rapid pace.

Another statistic that gives you an idea of the change that's going on out there and the importance of education, of continuing education, is that the average person will change jobs between 5 and 7 times in a career.

It seems to me we have two choices. We can either lower our standard of living considerably and compete with Third-World countries, and that's certainly a choice. Maybe people want that choice. Or we can, as your constituents said, Mayor White, pay the piper and take advantage of what I think is a remarkable opportunity and invest in the American people.

They're saying to us, as are mayors of different political persuasions, that we ought to support the President's plan.

They're not buying into every dotted I and crossed T in this program, but they see it as a good start and want to get on with it.

And I'm not sure that mood will last. All of us who have been in elected office know that those moods can evaporate very quickly. If all of a sudden, people feel like people are lining up against them, they'll shut down that willingness to accept a shared sacrifice.

I think we make a huge error, an historic error, if we don't take advantage of the public mood in this country that is way ahead of the pundits and others. The public understands what's happening in our urban areas, large and small, that this is a seamless garment, that these arbitrarily drawn political, geographical lines really do not separate problems from a fiscal and economic impact at all.

That if there is a child that is not getting an education or proper immunization or has deteriorated housing, whether it's in Cleveland or Tampa or anyone else for that matter, that the suburban communities of those urban areas pay the price as well.

I think that appreciation is growing by the hour and a willingness to understand that we've got to work together to try and come up with some answers here that will at least generate economic activity.

Lastly, Mr. Chairman, I've said this before, but I think the best social program ever designed by anybody was a job. That's the best social program. Everything we do ought to be geared and focused to producing that result, to creating economic independence and empowerment.

Everything we do ought to be designed to produce, ideally, a private-sector job. And to minimize the need for hiring people in the public sector. Public sector jobs ought not to be an expanding eco-

conomic opportunity. They should be contracting as we try and create jobs within the private sector.

Nothing will do more for my cities or yours, I presume, than a job. So that an individual, a family, can afford to buy a home, educate the kids, take vacations, enjoy each other, and grow with a sense of economic stability and confidence. You can talk about all the other bromides in the world, to solving problems of crime, drug abuse, and illiteracy. But nothing, absolutely nothing does as much as just a good old job.

Mayor WHITE. Senator, you could be a mayor in any city of America.

[Laughter.]

Senator DODD. Don't wish that on me. You've got the toughest job in America.

Mayor WHITE. We agree with you.

Senator DODD. I thank you all for coming. It's been very helpful.

Mayor HELMKE. This is what is exciting about the proposal. In our city, we've got something called an enterprise center, a small business incubator. With this money, we can expand that operation. That lets people start small businesses on their own. They've been successful.

It's not only helping the neighborhoods in our commercial areas, but it's letting new businesses get started. We need more of that in every community.

The CHAIRMAN. If I may, I want to come back just for a minute to this Fortune article. On the inside, where they talk about what they call the new unemployed, the subheadline says, while the economy is growing steadily again, more than 9 million Americans remain jobless, victims of changes they cannot control. Their lives will never be the same.

And then they take four illustrations. Here's a man 44. Here's a woman 49. Here's a younger person, but with a long work record, 26. And another woman, 30 here. The article goes on to say that, in the last four recessions, 44 percent of the people who were laid off thought they'd get their jobs back. Now that still shows a lot of permanent job reduction, even then.

This time, only 15 percent expect to be called back. So this is fundamentally different. And in addition to what Senator Dodd said, I think not only in terms of the tremendous social implications and the economic strength that it provides individuals and families when they have a job, if you don't have a job, and the country is saying, you don't matter and you're worthless, in effect, I mean, there's no room for you in the economic system, it delivers a crippling message to people.

You can have a Ph.D. and be out of work and be devastated by that, or you can be a person who's at a low skill level trying to find a job to get by and so forth and so on. But if the message coming out of the economic system is there's no room for you and we can't accommodate you, and you don't matter and the contribution you can make, we don't want, that's a devastating message.

To tell its people that they don't matter and they don't count for anything, is inhumane and is probably the quickest way for a country to really tear itself apart.

Work, as a focus of a meaning in one's life, has a value in terms of a person's dignity and very existence, even over and beyond the question of the income coming in. These things can't be taken apart.

And so, we can't in effect write off our own people. The thing that's so frustrating to me, in recent years in this country, is that the United States has had an economic plan for every country in the world except our own. Now we have one for this country. It may not be perfect, but we can adjust it here and there.

You've given strong testimony today that the mayors of the country think it's a good program. You're supporting it and you're saying there's a desperate need for us to do something now.

You can't solve these problems by yourselves. You need the Federal Government helping here in terms of a strategy of this kind. That's what I hear you saying.

Mayor HELMKE. Our problems cut across our boundary lines.

The CHAIRMAN. Exactly. And so, you've got to get the help that we can give and we're determined to give it to you.

Finally, just one thing for the record. I've introduced, along with Senators Dodd, Boxer, Moseley-Braun, and others, legislation that provides funding for the re-use or recycling of industrial or underutilized industrial and commercial facilities and sites in distressed areas so that we can get this land, in effect, back in business as a job-creator and as a tax-paying entity.

Do you share the belief that legislation of that type is necessary as part of a community revitalization policy?

Mayor WHITE. Senator Riegle, in Cleveland, our number one crying need for industrial development is the re-use of brown field areas. There are two areas that I could take you to at this moment, although they are under a foot of snow as I speak.

The CHAIRMAN. Right.

Mayor WHITE. But if I could take you there at this moment, if we had the additional assistance in terms of conversion of those brown field sites to green field sites, we could do significant economic development.

I can also tell you the opposite. I can tell you that in the 3 years that I've been mayor, I know of five companies that we have lost because we have not been able to provide green field sites of size, of critical mass. We have lost over 1,500 jobs on that issue alone in the last 2 years.

The CHAIRMAN. Mayor Stanley?

Mayor STANLEY. Mr. Chairman, I absolutely agree with Mayor White's comments, and would further indicate for the record that Michigan municipally expresses its wholehearted support for the proposed legislation.

The CHAIRMAN. Very good. And I see affirmative nods from our other two mayors here.

Mayor HELMKE. Indiana has had similar legislation. We need something like that at the Federal level to encourage it even further.

The CHAIRMAN. Very good. Listen, let me thank you all. We may have some questions for the record. You've been very patient this morning. It's been very helpful to us.

Mayor HELMKE. Thank you.

Mayor WHITE. Thank you.

Mayor STANLEY. Thank you.

The CHAIRMAN. Thank you, and the committee stands in recess.

[Whereupon, at 12:30 p.m., the committee was recessed.]

[Prepared statements, response to written questions and additional material supplied for the record follow:]

## PREPARED STATEMENT OF SENATOR PAUL S. SARBANES

Thank you, Mr. Chairman, for organizing this hearing with the distinguished Secretary of the Department of Housing and Urban Development. I am very pleased that Mr. Cisneros is back before us today; he did a terrific job at his confirmation hearing, and most of the news of his actions at HUD since then has been quite positive. I hope that he will come before us frequently over the next 4 years as we all wrestle with the economic and social problems facing our Nation's cities and towns.

Today's hearing will focus on the economic stimulus package announced last week by President Clinton. Let there be no doubt: this stimulus package is needed: this is a jobless recovery. Unemployment stands at 7.1 percent; if 500,000 workers had not dropped out of the workforce in January, that rate would reach 7.6 percent. Moreover, if one adds underemployed and discouraged workers the employment problem affects more than 16 million households.

And, the economic dislocation continues. Boeing, IBM, Sears, GM, and others have all announced significant layoffs even as the so-called recovery has started. I am particularly disturbed by a decision by the Campbell Soup Company to close its plant in my home town of Salisbury, Maryland. This plant closure will cost that community 800 jobs. This economy needs a stimulus.

I am pleased to note that in putting together the stimulus package, the President has chosen to give particular emphasis to the employment needs in our Nation's cities. As depressing as the national unemployment figures are, the employment situation inside our large cities is even worse. By giving such a large boost to the CDBG program in his package, the President is recognizing the jobs needs of inner cities. The \$2.5 billion proposed for CDBG alone is expected to produce 60,000 jobs over the next several years.

I would also like to compliment the President and the HUD Secretary for the \$423 million proposed in supportive housing for the homeless. The needs addressed with these funds are immediate and immense. It is a tribute to the new administration that they have not only recognized the severity of these needs, but have made the commitment to find adequate resources to address the problem. I would also like to interject my support for the increase in mass transit funding in the proposed stimulus package. While not in the jurisdiction of the HUD Secretary, mass transit is in the jurisdiction of this committee. Mass transit is a vital component of our cities' economic life. The additional purchases of buses and vans, and the capital improvements to urban transit systems contemplated with these funds will not only provide immediate jobs out there, but will improve the transportation infrastructure that allows the urban economy to function. This will aid workers in finding and keeping jobs way out into the future. Although we had hoped for full funding of the authorization levels, this additional money still represents a sea-change in attitudes toward transit programs.

Thank you again, Mr. Chairman for calling this hearing today. I look forward to the testimony of the witnesses.

## PREPARED STATEMENT OF SENATOR RICHARD H. BRYAN

Mr. Chairman, I commend you for inviting HUD Secretary Henry Cisneros, and several of our Nation's mayors, to this hearing today to discuss the housing and urban development provisions in the President's economic stimulus/deficit reduction package. I am anxious to hear from the Secretary about the details of the proposal and from the mayors about the impact the stimulus and deficit reduction will have on their cities.

Despite signs of economic recovery, the national unemployment rate still remains at 7.1 percent. This translates into 9 million unemployed Americans. There is no doubt that the Nation needs to address its long-term and short-term problems, as companies begin restructuring, and corporate giants such as IBM, GM, and Boeing lay off thousands of workers.

The mayors here, and others across the country, face tremendous challenges and a multitude of problems. No one has to remind the mayors that much of the despair in our inner cities stems from unemployment and helplessness. We cannot overstate the importance of investing in our economy and creating new jobs. Recent testimony at the Joint Economic Committee showed that job growth has been about one-tenth of the typical post-war recovery.

However, I am pleased that President Clinton is also determined to reduce the deficit. The deficit is choking the economy and interest on the national debt consumes fourteen percent of the Federal budget. While we must look for ways to stimulate the economy, we must eliminate outdated programs, bloated bureaucracy, and luxuries we can no longer afford. Any small success we make in getting CDBG

projects, highway construction, and summer youth employment, will be dwarfed if we cannot curtail the red ink. I believe it is important for Congress to treat this as a whole package and to be serious about the deficit reduction segment.

I am especially encouraged by the community development and real estate provisions in the package, and many in the housing industry share my view. Secretary Cisneros and I were in Las Vegas yesterday for the National Association of Home Builders Convention and we would like to announce that they passed a resolution supporting the package. I am also delighted to say we have an excellent advocate for housing and urban development in Secretary Cisneros.

We now have the opportunity to do something bold and important for the Nation and the economy. I look forward to the debate over these provisions and others in the package.

#### STATEMENT OF SENATOR ALFONSE M. D'AMATO

Mr. Chairman, I want to thank you for holding this hearing. I look forward to the opportunity to discuss the impact that President Clinton's economic plan will have on our urban areas. I would also like to welcome Secretary Cisneros back to the Committee and say that I look forward to working closely with him on housing policy.

The President wants to spend an additional \$30 billion to stimulate the economy. But President Clinton can give the economy a big boost if he simply speeds up the spending of the \$11.5 billion in funds already appropriated for the HOME investment partnerships program and the public housing modernization program that remain unspent.

I would like to say that we are all encouraged by the administration's commitment to housing and urban development. I think that we all agree that we need a steady supply of affordable housing. But, I am concerned about calls for increased spending before we are sure that we can efficiently and responsibly spend the money that has already been appropriated.

Our top priority as we review this request must be whether the funds can be immediately spent on needed projects that are "ready to go" and will create jobs. Moreover, any additional appropriation should not simply allow states and cities to substitute Federal dollars for already programmed dollars.

Last year the Congress passed the Housing and Community Development Act of 1992. This legislation made a number of technical changes to the HOME program to give states the flexibility they need to make the program work. With HUD's commitment to work with State offices to implement the program this money should be distributed quickly.

I applaud the Secretary's pledge to accelerate efforts to modernize public housing. Moving program deadlines forward, streamlining the HUD review for housing authorities modernization plans as well as making regulatory changes will speed much needed modernization funds to those who need it.

We must focus on getting the money out the door and into the hands of the people who it is intended to help. We must be painstakingly aware of where we are putting precious Federal dollars to be certain that they are being utilized responsibly. Pouring millions of new dollars on top of the \$11.5 billion already in the pipeline will simply flood the system and result in taxpayer dollars going down the drain. The money will be lost in a bureaucratic web and won't get to the people who need it most.

Not only should we speed up the funds already appropriated, but we need to work with the administration to speed up implementation of the changes made in the 1990 and 1992 affordable housing legislation.

We are all aware that HUD administers a myriad of complex programs which are sometimes redundant and conflicting. HUD's proposal to consolidate several housing programs under the HOME umbrella is an concept worth pursuing. In fact, I introduced similar legislation in 1990. Any steps to make the administration of housing programs more efficient will help ensure that taxpayers get the biggest bang for the buck.

Later this week I intend to introduce legislation to address our Nation's inner cities, rural areas and other economically distressed neighborhoods in need of credit for community development. We need to find a way to encourage banks and other lenders to return to these areas and to provide the credit needed for economic redevelopment. Community development banks are basically ordinary banks with an extraordinary purpose. By pooling resources and talent under one roof, community development banks can focus their efforts on designing products and services that

meet the special credit needs of inner cities and rural areas. My legislation will do just that without burdening the taxpayer with increased spending.

Thank you Mr. Chairman.

#### PREPARED STATEMENT OF SENATOR CHRISTOPHER J. DODD

Thank you very much, Mr. Chairman.

Henry, I am pleased to join with my colleagues in welcoming you to the committee this morning.

During the campaign, President Clinton promised to start the country in a new direction. He pledged to attack the deficit that eats at the Nation's social fabric and to make investments that would spur economic growth.

With the budget proposal that he unveiled on February 17, the President delivered on that promise. His proposal will reduce the deficit through spending reductions and tax increases. At the same time, his plan includes investments in those cost-effective programs that provide a good return on the taxpayer's dollar.

Recently, there has been much debate over various elements of the plan. That is how it should be. A vigorous exchange of ideas is healthy for our democracy.

As we continue that exchange of ideas here today, I hope that we will heed the President's call to face facts. And the facts are that too many Americans are still out of work. In my home State of Connecticut, over 205,000 people lost their jobs during this recession. And these hardworking men and women are still struggling to find work.

I am very skeptical of those here in Washington who say that the economy is improving and that—without any public investment—there will soon be hundreds of thousands of new, quality jobs. Not surprisingly, those who make that claim—the politicians, economists, and pundits—all have jobs. A few more months or another year without a job is not a problem for them. But let me tell you, the unemployed in Connecticut can not afford to be so patient.

Another fact is the crisis facing our cities. Too many of our citizens are sleeping on sidewalks and in abandoned buildings. Those that have a decent home literally take their lives into their hands when they walk through their neighborhoods. And millions of children are trapped in a cycle of poverty. These conditions are a disgrace.

Although no proposal can solve all of these problems, the President's plan starts us in the right direction. It contains public investment that will help stimulate private investment. A good example is the community development block grant program which will receive an increase as part of the stimulus package. The program accomplishes several goals simultaneously. Jobs are created as communities rebuild their infrastructure, and the end result is a better environment for private investment. The taxpayers get a good return on their tax dollars.

Another example is the Enterprise Zone component. The government provides tax credits but important investment decisions are left to the private sector.

In short, the President's plan will help the public and the private sectors work together to create new jobs and improve neighborhoods. I commend the administration's efforts and I look forward to working with Secretary Cisneros and the other members of the cabinet to help strengthen the plan.

#### PREPARED STATEMENT OF SECRETARY HENRY G. CISNEROS

FEBRUARY 23, 1993

Mr. Chairman and members of the committee, I am pleased to appear before you to discuss President Clinton's 1993 economic stimulus proposals for the Department of Housing and Urban Development.

I welcome this opportunity to discuss with you the new directions President Clinton and his administration intend to take to meet the housing needs of the American people and to revitalize this Nation. It is my hope and expectation that, with the cooperation of the Congress and particularly this Committee, the Department of Housing and Urban Development will forge a new working partnership with State and local governments, nonprofit organizations, the private sector, and others to meet the Nation's economic and housing needs in the 1990's.

The time has come to move forward together with sound programs and policy initiatives to ensure an expanding supply of affordable housing, to stimulate growth, and to invest in the rebuilding of the too-long neglected infrastructure of our large cities and small communities.



The President's economic plan contains three components: economic stimulus, investments, and deficit reduction. Today I am here to discuss economic stimulus and how two of HUD's key programs—Community Development Block Grants and Supportive Housing—can and should contribute to that stimulus for two vitally important and critical reasons. First, to create new jobs quickly and, second, to provide immediate assistance for sorely needed public facilities and services, particularly to help address the tragedy of homelessness.

As the President so forcefully stated in last week's State of the Union Address, this administration's immediate economic priority is to *create 500,000 new jobs now*. Of that total, HUD's role represents approximately 71,000 total jobs, beginning in the current year and continuing through calendar year 1994.

Mr. Chairman, let me now take a few moments to briefly outline the specifics of the Department's plans.

First, we will be proposing to the Appropriations Committees \$2.54 billion additional CDBG funding which will be made available by formula to entitlement cities and counties and to States for distribution to small communities.

Assistance also will be made available to Indian Tribes and Insular Areas. These funds will be used, based on local priorities, for a wide range of housing activities, public facilities, and public services, but with the condition that projects undertaken be carried out within a relatively short period of time. Specifically, this means that the grantees must complete all spending by December 31, 1994.

We realize this is a fairly strict criterion—one which will cause many communities to act more quickly than they have in the past. Nevertheless, we believe it is in keeping with the compelling reason behind economic stimulus—to create jobs.

Second, we will be requesting \$423 million from the Appropriations Committees for the Supportive Housing Program to provide much needed additional housing and services for the Nation's homeless families and individuals. And, because of the strict conditions we propose placing on the awarding of these funds, including a December 31, 1994, spending deadline, the \$423 million will also contribute significantly to increased economic strategy.

We feel that these proposals are justified on two counts—job creation and providing absolutely essential help to the most needy of our fellow citizens.

Mr. Chairman, for me personally, there is no graver responsibility as Secretary of HUD than addressing the persistent problems of homelessness in America.

We have seen the most defenseless and hopeless of our people sleeping on grates and huddled in the doorways of buildings vacated after the workday—people whose lives are as empty as the building they use for shelter. This is not our vision of America, and we must work together to restore care and dignity to those bereft of hope. We need long-term solutions—a comprehensive, integrated approach to reducing homelessness in America. At the same time, we must meet their immediate needs, and I am advocating—in addition to enactment of a supplemental appropriation—more effective use of the Surplus Property program, which allows the use of excess Federal properties—such as closed military bases—for the homeless.

Mr. Chairman, I believe there are solutions to every problem confronting our country and our people—and I want to find those solutions and make them work. When I return to appear before you again in April, I will detail for you our specific proposals for improved and *increased* homeless assistance.

In addition to our proposals for CDBG and Supportive Housing, there are two more economic stimulus initiatives which we are planning to implement and which I would like to share with the committee. These initiatives do *not* involve any new appropriations in 1993, but they are nonetheless extremely important.

The first involves our efforts to improve the administration of the HOME program so that it more closely conforms with congressional intent to increase the supply of housing for low-income persons. Since issuance of regulations in 1991, and obligation of Fiscal Year 1992 funds, only 4 percent of HOME funds have been committed by participating jurisdictions, and only 2 percent have been expended. Two-thirds of the 435 jurisdictions participating in the program have not yet set up their first project, and local officials and housing providers have expressed growing frustration with the program's complexity.

To remedy this problem, we are taking several steps to reduce confusion, to simplify program requirements, and to expedite expenditure of the \$1.5 billion in 1992 funds already obligated by HUD and the \$1 billion in 1993 funds for which a Notice of Funding Availability already has been published.

By April of this year, we will publish regulatory changes which increase flexibility in HOME program implementation. Housing constituency groups have found the current regulations too restrictive. And, we are accelerating the issuance of additional regulations necessitated by the Housing and Community Development Act of 1992.

The second initiative involves accelerating obligations and expenditures of two pools of appropriated funds for the Public Housing Modernization program—\$3.2 billion appropriated in 1993 and \$6 billion of unspent appropriations from previous years. This will significantly accelerate future Modernization appropriations.

These actions will expedite necessary physical improvements to public housing, improve the quality of life of residents of Public and Indian housing, and increase the supply of housing for low-income people. Accelerating expenditure of funds also will provide considerable stimulus to the construction industry.

Both HUD and public housing authorities must act with urgency to put Modernization funds to work. Too many Americans live in public housing units badly in need of repair. We at HUD want to be part of the solution and put the funds to work as they were intended.

Mr. Chairman, that completes my statement. I will be happy to answer any questions you and the members of the committee may have.



# THE UNITED STATES CONFERENCE OF MAYORS

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## Testimony of

## THE HONORABLE PAUL HELMKE Mayor of Fort Wayne

## On Behalf of

## THE UNITED STATES CONFERENCE OF MAYORS

## Before the

## SENATE BANKING AND URBAN AFFAIRS COMMITTEE

Tuesday, February 23, 1993  
534 Senate Dirksen Office Building

MR. CHAIRMAN, IT GIVES ME GREAT PLEASURE TO APPEAR BEFORE THIS COMMITTEE ON BEHALF OF THE UNITED STATES CONFERENCE OF MAYORS.

I COME BEFORE THIS COMMITTEE NOT ONLY AS A MAYOR, BUT AS A REPUBLICAN TO SUPPORT THE ECONOMIC PLAN LAID OUT BY PRESIDENT CLINTON LAST WEEK.

THE CURRENT PRESIDENT OF THE CONFERENCE OF MAYORS, BILL ALTHAUS OF YORK, PENNSYLVANIA, IS ALSO A REPUBLICAN. LAST WEEK, MAYOR ALTHAUS HELD A NEWS CONFERENCE HERE IN WASHINGTON TO ANNOUNCE THAT THE BIPARTISAN U.S. CONFERENCE OF MAYORS ENDORSED THE CLINTON PROGRAM IN ITS ENTIRETY.

FURTHER, HE DIRECTED THE CONFERENCE TO "USE ALL OF THE STAFF RESOURCES AND COMMITMENT AND ENERGY OF THIS ORGANIZATION TO SUPPORT THIS PLAN IN ITS ENTIRETY, TO ASSIST IN ANY WAY WE CAN IN ITS ENACTMENT."

I AM HERE TODAY TO LEND MY SUPPORT, AS MAYOR OF FORT WAYNE, INDIANA, ON BEHALF OF THE PEOPLE IN CITIES LARGE AND SMALL ALL ACROSS THE COUNTRY, FOR THE PRINCIPLES EMBODIED IN THE CLINTON ECONOMIC RECOVERY PLAN.

THOSE PRINCIPLES ARE SIMPLE: FAIRNESS, PROGRESSIVITY, AND SUPPORT FOR OUR NATION'S URBAN COMMUNITIES. FURTHERMORE, THE PLAN ALSO ADDRESSES THE IMPORTANT, AND OFTEN IGNORED, ISSUE OF THE FEDERAL DEFICIT, WHICH VIRTUALLY EXPLODED DURING THE 1980'S.

AS WE SEE IT, THIS PLAN SHIFTS OUR FISCAL EMPHASIS AWAY FROM THE SPECIAL INTERESTS AND FOCUSES OUR RESOURCES MORE TOWARD THE PUBLIC INTEREST. MEANINGFUL PUBLIC INVESTMENT, BOTH SHORT-TERM AND LONG-TERM, IN OUR PHYSICAL AND HUMAN INFRASTRUCTURE, SHOULD BE THE GOAL WHICH WE STRIVE TO REACH DURING THE 1990'S.

THE PLAN ENUNCIATED BY PRESIDENT CLINTON LAST WEEK IS TOUGH MEDICINE. NOBODY LIKES TAXES, BUT IF THEY ARE ADMINISTERED ON AN EQUITABLE AND FAIR BASIS, IF THEY ARE TRULY USED TO ENHANCE THE FUTURE OF OUR COUNTRY AND ITS CITIZENS, IF THEY WILL PROVIDE A BETTER TOMORROW FOR GENERATIONS TO COME, THEN WE MUST IN GOOD CONSCIENCE ACCEPT THEM.

THE SPENDING CUTS OUTLINED IN THE CLINTON PLAN ARE ALSO TOUGH MEDICINE FOR SOME. HOWEVER, IF THEY SEEK TO BALANCE THE NEEDS OF THE PRESENT WITH THE GOALS OF TOMORROW, THEY SHOULD BE WELCOMED. THE PRESIDENT'S PLAN WILL NOT WORK UNLESS THESE SPENDING CUTS ARE APPROVED ALONG WITH THE TAXES AND THE STIMULUS PACKAGE.

AS A REPUBLICAN, I ENCOURAGE THE FISCAL DISCIPLINE OUTLINED IN THE CLINTON APPROACH. AS AN AMERICAN, I ENCOURAGE MEMBERS OF THIS COMMITTEE AND CONGRESS AS A WHOLE TO ADOPT THE PACKAGE TO HELP PROVIDE A BRIGHTER FUTURE FOR OUR CHILDREN AND THEIR CHILDREN. AS A MAYOR, I ENCOURAGE YOU TO HELP BRING ABOUT THE ESSENTIAL REORDERING OF PRIORITIES IN OUR FEDERAL BUDGET BY RECOGNIZING THE END OF THE COLD WAR ABROAD AND THE EXISTENCE OF THE STRUGGLE FOR SURVIVAL AND SUCCESS IN ALL OUR OWN URBAN AREAS.

MR. CHAIRMAN, I APPRECIATE HAVING THE OPPORTUNITY TO ADDRESS YOU HERE TODAY AND WOULD WELCOME ANY QUESTIONS YOU MIGHT HAVE.



# NEWS

## United States Conference of Mayors

1620 Eye Street, N.W. • Washington, D.C. 20006

February 18, 1993

**MAYORS RELEASE NEW LISTS OF TRANSPORTATION AND COMMUNITY DEVELOPMENT PROJECTS "READY TO GO" IN CITIES**

Conference of Mayors' Survey, in Support of Clinton Stimulus Plan, Identifies 200,000 Jobs on 4,400 Projects

A two-volume survey report identifying nearly 4,400 urban transportation and community development construction projects that can be started quickly and completed by the end of this calendar year was released in Washington today by the President of The U.S. Conference of Mayors, York (PA) Mayor William Althaus.

The survey of projects "ready to go" to construction covered 470 cities across the nation; it was conducted at the request of Transportation Secretary Federico Pena and Housing and Urban Development Secretary Henry Cisneros in anticipation of President Clinton's economic stimulus plan. Appearing January 19 at the Conference's Winter Meeting in Washington, the two Secretaries asked mayors for lists of city projects that could be started in 90 to 120 days and completed in calendar 1993.

In a press conference at the Conference of Mayors office, Althaus explained that the total 4,396 projects identified by the mayors and city staff surveyed are those that could be funded as part of the immediate economic stimulus that is being proposed by President Clinton, the stimulus described in his State of the Union address the previous evening. "The President's plan addresses both the short term and the long term, and our 'ready to go' projects do the same," said Althaus. "While the mayors' focus is on immediate job creation, the benefits of the 'ready to go' projects are far-reaching. The projects we have identified will provide jobs -- and that means hope and dignity -- to tens of thousands. But beyond this, they are essential to the long-term health of our economy. We cannot compete in a global economy if our communities are crumbling."

All of the projects listed in the report are eligible for funding under the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) or the Community Development Block Grant (CDBG).

-more-

"We agree with the new administration that the use of programs already in place, like ISTEA and CDBG, is essential to the timely flow of the stimulus to the local level," said Althaus, "although we also believe that some modifications to these programs will be needed to expedite the spending."

In the survey, the mayors identified 1,889 projects eligible for funding under ISTEA, 2,507 eligible for funding through CDBG. A total of \$7,221,875,056 would be needed in 1993 to fund all of the projects identified -- \$3,731,908,150 for the transportation projects, \$3,489,966,906 for the community development projects.

If all projects were funded, the mayors estimate, a total of 199,456 jobs would be generated in 1993 -- 92,382 on transportation projects, 107,083 on community development projects. Beyond 1993, they estimate, a total of 263,819 jobs could be created -- 151,624 on transportation projects, 112,195 on community development projects.

Mayors surveyed were asked to identify 10 or fewer transportation projects and 10 or fewer community development projects. The emphasis, Althaus explained, was not placed on identification of a large number of projects; instead, he said, the Conference asked for just enough "to demonstrate that city officials have projects on the shelf which can be started and completed quickly."

"If the President wants to see tens of thousands of people at work right away on projects to improve our cities, 'ready to go' is the way to go," said Althaus. "But I am convinced that the President's commitment of stimulus funds is not just a job creation initiative. It is the start of a vital strategic investment plan for our country."

Althaus also used the press conference on the "ready to go" projects to praise President Clinton for his State of the Union address delivered the night before. "President Clinton has kept faith with the mayors and cities of this nation," said Althaus. "He has always maintained that his administration would be committed to the cities and the people of the cities. Last night's address shows that he meant what he said."

CONTACT: Mike Brown, (202) 293-7133, 7330

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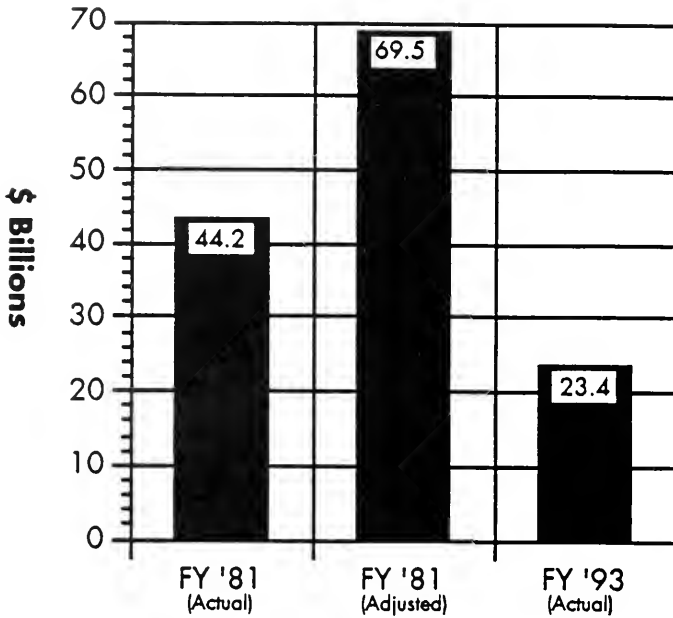
**FUNDING ANALYSIS OF SELECTED KEY URBAN  
PROGRAMS (FY81-FY93)  
(\$ BILLIONS)**

	FY81	FY81 (Adjusted to FY93 for Inflation)	FY93 ACTUAL (Appropri- ated)	REAL % CUT
Community Development Block Grant (CDBG)	4.0	6.3	4.0	- 36.5
Urban Development Action Grant (UDAG)	0.4	0.6	-0-	-100.0
General Revenue Sharing	5.1	8.0	-0-	-100.0
Mass Transit	4.4	6.9	3.5	- 49.3
Employment and Training	9.1	14.3	4.2	- 70.6
Economic Development Administration (EDA)	0.4	0.6	0.2	- 66.7
Assisted Housing	17.0	26.8	8.9	- 66.8
Clean Water Construction	3.8	6.0	2.6	- 56.7
<b>TOTAL</b>	<b>44.2</b>	<b>69.5</b>	<b>23.4</b>	<b>- 66.3</b>

This table shows the FY81 funding levels for selected key urban programs, that funding level adjusted for inflation from FY81-FY93, and the cut in real percentage terms which is determined by measuring the FY81 levels adjusted for inflation against the actual FY93 levels.

The table shows that had these selected programs been allowed to grow with inflation from the FY81 funding level, the total FY93 funding would have amounted to \$69.5 billion. Actual 1993 funding for these programs is \$23.4 billion. If the reduction in urban programs is calculated by measuring the difference between the FY81 level, adjusted for inflation, and the actual funding level, the real reduction in urban funding over the period is 66.3 percent.

# Key Urban Spending Program Reductions 1981-1993







## "Real" Unemployment Grows in November

By Lance Simmens

The level of unemployment in America's 30 largest cities, when adjusted for discouraged and underemployed individuals, grew from 14.9 percent in October to 15.1 percent in November 1992. The increase continues the trend over the previous four months of inner city unemployment being at least double the official national average.

In fact, the official 30-city average unemployment rate of 8.4 percent also represented an increase from the previous month's 8.3 percent, while the official national average dropped from 7.4 percent to 7.3 percent.

These statistics indicate that the unem-

ployment rate in urban America is higher than the nation as a whole, and while during this period the nationwide rate was falling, unemployment in America's largest cities was increasing.

The November data (the most recent month inner city data is available) also shows that 28 of the 30 cities had "real" unemployment rates greater than the official national rate and 20 cities had "real" rates more than 50 percent greater than the official national rate.

According to the adjusted data, there are approximately 2.5 million unemployed individuals in the 30 largest cities, which have of a total workforce of more than 17.1 million.

## "Real" Jobless Rates in 30 Largest Cities (November 1992)

City	*Real* Unemploy. Rate (%)	Official Unemploy. Rate (%)
Detroit	21.2	11.8
El Paso	19.4	10.8
New York City	18.9	10.5
Los Angeles	18.9	10.5
Cleveland	18.4	10.2
San Juan	18.2	10.1
Baltimore	18.0	10.0
District of Columbia	16.2	9.0
Fort Worth	15.8	8.8
San Jose	15.3	8.5
Dallas	15.1	8.4
San Diego	15.1	8.4
Houston	14.8	8.2
Philadelphia	14.0	7.8
Boston	13.7	7.6
Chicago	13.7	7.6
San Francisco	13.3	7.4
San Antonio	13.0	7.2
Seattle	12.2	6.8
New Orleans	11.2	6.2
Phoenix	10.8	6.0
Jacksonville	10.8	6.0
Columbus, OH	10.4	5.8
Indianapolis	10.4	5.8
Austin	10.1	5.6
Denver	10.1	5.6
Murphy	9.4	5.2
Milwaukee	7.4	4.1
Oklahoma City	7.2	4.0
Nashville	7.0	3.9
30 City Average	15.1	8.4

Note: All information is derived from Bureau of Labor Statistics data



# "Real" Unemployment in Largest Cities More Than Double Official Rate

By Lance Simmens

While there has been a great deal of discussion in recent months over improving economic statistics, the "real" unemployment rate in the thirty largest cities remains more than double the official national rate.

Adjusting the official unemployment statistics released by the Bureau of Labor Statistics to account for discouraged workers and part-time workers desiring full-time employment, the average unemployment rate for the top 30 cities in October was 14.9 percent, more than double the official national average of 7.4 percent.

Furthermore, the official unemployment rate for the top 30 cities, that is without factoring in the discouraged and underemployed individuals, is 8.3 percent in October.

The official labor force in the 30 largest cities is slightly over 17.1 million, and it is estimated that in these cities there are roughly 2.5 million unemployed and underemployed workers.

Twenty-nine of the top 30 cities registered a "real" unemployment rate greater than the official national rate and twenty cities had "real" unemployment rates more than one and a half times greater than the official national rate.

"Real" Jobless Rates in 30 Largest Cities  
(October 1992)

City	"Real" Unemployment rate (%)	Official Unemployment rate (%)
Detroit	23.4	13.0
New York City	19.8	11.0
Los Angeles	19.1	10.6
Cleveland	18.7	10.4
San Juan	18.2	10.1
Baltimore	18.0	10.0
El Paso	17.5	9.7
Philadelphia	15.8	8.8
District of Columbia	14.8	8.2
San Jose	14.4	8.0
San Diego	14.0	7.8
Fort Worth	14.0	7.8
Dallas	13.3	7.4
Houston	13.1	7.3
Boston	13.0	7.2
San Francisco	12.6	7.0
New Orleans	12.4	6.9
Chicago	11.9	6.6
San Antonio	11.9	6.6
Seattle	11.7	6.5
Phoenix	10.8	6.0
Columbus, OH	10.6	5.9
Jacksonville	10.4	5.8
Albuquerque	9.5	5.3
Albuquerque	9.4	5.2
Denver	9.4	5.2
Indianapolis	9.2	5.1
Memphis	8.8	4.9
Austin	7.4	4.1
Oklahoma City	6.7	3.7
Knoxville	6.7	3.7
30-City Average	14.9	8.3

## Unemployment Watch



# "Real" Unemployment Higher in Largest Cities

By Lance Simmons

Unemployment in America's largest cities continues to remain well above the national average. A review of the thirty largest cities shows that after factoring in underemployed and discouraged workers, the average "real" unemployment rate for these cities is more than double the official national unemployment rate as measured by the Department of Labor's Bureau of Labor Statistics.

While the nationwide rate for September (the most recent month for which statistics are available) was 7.5 percent, the average "real" unemployment

rate for the thirty cities stood at 15.8 percent. For these cities, the average official rate is 8.8 percent, over 17 percent higher than the official national average.

Each of the thirty cities had "real" unemployment rates above the official national average. Twenty-two of the thirty largest cities had "real" unemployment rates more than 50 percent greater than the official national rate.

More than 2.7 million people fall into the "real" unemployment category in the top 30 cities out of a total workforce of over 17.2 million.

U.S. MAYOR

December 7, 1992

## "Real" Jobless Rates in 30 Largest Cities (September 1992)

	REAL	OFFICIAL
Detroit	23.6	13.1
Los Angeles	20.9	11.6
New York City	20.5	11.4
San Juan	20.2	11.2
Baltimore	19.3	10.7
El Paso	18.9	10.5
Cleveland	17.5	9.7
Philadelphia	15.5	8.6
Fort Worth	15.3	8.5
Washington, DC	15.1	8.4
Dallas	14.7	8.2
Boston	14.7	8.2
Houston	14.4	8.0
San Jose	14.0	7.8
San Diego	13.9	7.7
Chicago	13.7	7.6
New Orleans	13.3	7.4
San Antonio	13.0	7.2
San Francisco	12.8	7.1
Jacksonville	12.8	7.1
Milwaukee	11.5	6.4
Oklahoma City	11.5	6.4
Seattle	11.0	6.1
Memphis	10.4	5.8
Phoenix	9.9	5.5
Columbus, OH	9.9	5.5
Indianapolis	9.9	5.5
Austin	9.7	5.4
Denver	9.5	5.3
Nashville	8.3	4.6
Average Rate	15.8	8.8



# "Real" Unemployment Rate in Cities Remains High Gap Between "Real" and Official Rates Widens in August

By Lance Sammons

In August, the "real" jobless rate in America's 30 largest cities remained significantly above the national official unemployment rate. The "real" unemployment rate takes into account those persons working parttime but seeking fulltime employment and discouraged workers who have given up looking for a job.

When adjusted for these additional factors the largest 30 cities had an average unemployment rate of 13.9 percent, clearly 8.3 percent above the official national average of 5.6 percent. Twenty

one of the 30 cities reported "real" unemployment rates at least 50 percent higher than the official national average.

Each of the 30 cities had "real" unemployment rates greater than the official national average. While the inner city "real" jobless rate for the top 30 cities is virtually unchanged from the 14.0 percent registered in July, the official rate is down from 8.2 percent to 7.7 percent. Thus, while the official rate is declining, the gap between this rate and the "real" rate actually widened from 5.8 points to 6.2 points.

## "Real" Jobless Rates in 30 Largest Cities (August 1992)

	"REAL"	OFFICIAL
Detroit	23.0	12.8
Los Angeles	21.4	11.9
New York City	20.0	11.1
Baltimore	19.3	10.7
San Juan	18.9	10.5
Cleveland	18.2	10.1
El Paso	16.7	9.3
Philadelphia	15.8	8.8
Washington, DC	14.9	8.3
San Jose	14.4	8.0
San Diego	14.2	7.9
Chicago	14.0	7.8
Jacksonville	14.0	7.8
Boston	14.0	7.8
San Francisco	13.7	7.6
Fort Worth	13.7	7.6
Dallas	13.1	7.3
Houston	12.8	7.1
New Orleans	12.4	6.9
San Antonio	11.7	6.5
Denver	11.5	6.4
Memphis	11.0	6.1
Phoenix	10.8	6.0
Seattle	10.6	5.9
Milwaukee	10.4	5.8
Columbus, OH	10.3	5.7
Oklahoma City	10.3	5.7
Indianapolis	9.5	5.3
Austin	8.6	4.8
Nashville	8.5	4.7
<b>TOTAL</b>	<b>13.9</b>	<b>7.7</b>

November 9, 1992

U.S. MAYOR



# "Real" Jobless Rate in Cities Much Higher than Official Rate

By Lucie Simmons

Each month U.S. MAYOR publishes a list of official unemployment rates for inner cities as compiled by the Bureau of Labor Statistics. Critics of these statistics contend that they significantly underestimate the "real" unemployment picture because they do not take into account the high level of underemployment and the number of discouraged workers.

Underemployment and discouraged workers were factored into the inner city statistics; the "real" unemployment rate for America's cities is considerably higher than the official rate. A significant portion of the labor force now consists of involuntary part-time employees. In July, 6,324,000 Americans had to settle for part-time jobs, over 25 percent higher than before the recession began.

The labor Department classifies discouraged workers as those who want a job now but are not in the labor force because they think they cannot get a job. In the second quarter of 1992, there

were 1,125,000 discouraged workers, 30 percent more than there were in the second quarter of 1990, before the current recession began.

Americans For Democratic Action publishes unemployment rates for statistical metropolitan areas each month which includes both of these factors. In August, for instance, the "real jobless" rate, according to ADA, was 13.3 percent nationwide. The official unemployment rate according to the labor Department was 7.5 percent.

The average "real" jobless rate for the 30 largest cities for July 1992 is 14.0 percent, clearly 82 percent higher than the official national rate of 7.7 percent, and nearly six percentage points higher than the official inner city rate.

In fact, all 30 cities listed below have "real" unemployment rates above the official national average. Twenty-one of the 30 cities listed had "real" unemployment rates more than 30 percent above the official national unemployment rate

## "Real" Jobless Rates in 30 Largest Cities (July 1992)

	July 1992 "Real" Rate (%)	July 1992 Official BLS Rate (%)
Detroit	26.4	15.5
San Juan	24.5	14.4
Los Angeles	21.3	12.5
New York City	20.6	12.1
El Paso	17.9	10.5
Baltimore	17.7	10.4
Cleveland	17.0	10.0
Chicago	16.0	9.4
Philadelphia	15.1	8.9
Washington, DC	14.8	8.7
Boston	14.3	8.4
Fort Worth	14.1	8.3
Dallas	13.6	8.0
Houston	13.1	7.7
Jacksonville	12.9	7.6
New Orleans	12.8	7.5
San Jose	12.8	7.5
San Antonio	12.6	7.4
San Diego	12.6	7.4
Denver	12.1	7.1
San Francisco	11.6	6.8
Phoenix	10.4	6.1
Memphis	10.4	6.1
Seattle	10.2	6.0
Columbus, OH	9.9	5.8
Milwaukee	9.9	5.8
Indianapolis	9.4	5.5
Austin	8.8	5.2
Oklahoma City	8.8	5.2
Nashville	8.5	5.0
Average Rates	14.0	8.2

October 26, 1992

U.S. MAYOR

## PRODUCTION SUPERVISORS MEETING AGENDA

2/20/93 - 10:30 AM

I. Most Important issue - Serious Lack of Sense of Urgency!

- We must respond immediately - Our Clients Expect This Of Us!

Out of Building pick-ups must be made within 30 minutes  
In Building & within walking distance must be made within 10 minutes.

## II. Filling Out Workorders Completely -

- a) Emergency telephone numbers for overnight/weekend job.
- b) Client ID numbers, notes, descriptions must be detailed.
- c) Complete instructions.
- d) Correct spelling of all people's Formal Names.
- e) Date and time due including the day of the week.
- f) Change orders must be recorded on reverse side of work order.
- g) For multi-box jobs - A copy must be made for each box and pre-numbered ie: 1 of 6, 2 of 6 etc. by person writing up the job.
- h) Meter sheets: -
  - 1) Start/Stop times
  - 2) Start/Stop meters
  - 3) Supplies used
  - 4) LDC sheets
  - 5) Label forms - New Label form
  - 6) Copies of Exception Sheets

NOTE: All must be stapled to work order for billing! We have trouble with losing sheets.

III. Logs - must be filled out completely and immediately.

- a) Customer Service Log - As calls come in.
- b) Job Board - Right after CSR log and prioritize.
- c) Shift Leaders Report - Right after Job Board and don't forget to prioritize.
- d) Xerox Equipment Service/Maintenance Log - Place all calls for service immediately.
- e) Delivery/Pick-up Log - To be used for all pick-ups & deliveries must include date/time, signature for all items.

IV. Quality Control/200% Guarantee

- a) Production Operator to sign name on bottom left hand corner of the meter sheet to indicate that they have checked their own work and assure us that it meets our High Quality Standards.
- b) Operator signs initials on line 1 and moves his/her project including copies, originals, meter sheet and 200% Guarantee Form to the Quality Control Department.
- c) Quality Control Department checks project according to specs on the work order - page for page against the originals and in accordance with the established Quality Control procedures.
- d) Make corrections as required and once project is mistake free.
- e) Quality Control person signs his/her initials on line 2 of 200% guarantee.

NOTE: All numbering jobs must be Quality Controlled before copied. See back of label form for Quality Control initials column - use it!

V. Packaging/Boxes

- a) All copy boxes must have:
  - 1) 200% Guarantee inside - EVERY BOX
  - 2) Shipping & Quality Control Label outside (Note new Q.C. Label in Design Process)
- b) Re-package all original boxes and transfer all written info to new original boxes. Under no circumstances should competitors' boxes be returned to our clients.

ONLY EXCEPTION is if customer supplied boxes with their law firm name e.g. Hogan & Hartson's recent job as boxes came from their file room.

VI. Staffing

- a) Announce - James Belton.
- b) Are your respective shifts staffed properly?
- c) If not, what do you do?
  - 1) If overstaffed, let Kevin Bennett know so we can adjust.
  - 2) If understaffed, let Kevin Bennett know so he can re-align people for short term and interview for hire for long term.
- d) Are you satisfied with your staff?
  - 1) Lets discuss each person - one by one eg.: Strengths and weaknesses. (Sheline to start).
  - 2) What do you as a supervisor need to do to help them improve?
  - 3) Are they coachable?
  - 4) Can they improve?
- f) Are you setting a good example following procedures and guidelines? And are you making sure your staff is also?
- g) Attendance, punctuality and teamwork.

VII. Weekly Staff Meetings - Two way Communications Between Staff & Management

- a) Kevin Bennett and PJK are to meet Mondays at 2PM.
- b) Please give Kevin Bennett your input no later than close of business the Friday before so it can be included in meeting with PJK.
- c) Kevin Bennett will give feedback to you of meeting with PJK by close of business the next day, (Tuesday).
- d) Shift Supervisor (you) are to meet with your staff Wednesday to discuss and implement any new changes, procedures etc. and get from your staff feedback for next weeks meeting.

NOTE: This process is important because it allows everyone to be involved and that helps to make for happy employees. Happy employees make for happy clients. Happy clients make career opportunities for all.



VIII. Educational Seminars

- a) Explain that the company is committed to helping each employee improve their skills and is willing to pay for these types of seminars.
- b) Kevin Woodland to go over the recent supervisors' seminar he and PJK attended.
- c) Discuss upcoming seminars.

IX. Company Vehicles

- a) No smoking!
- b) Keep vans clean-inside/out - take your trash with you when you leave it.
- c) White Van to have signage soon - show sample of design - attached.
- d) No speeding, no careless or wreckless driving!
- e) Must wear seatbelts at all times!
- f) No passengers unless company employees or client!
- g) Check fluid levels a minimum of once per month on the 1st business day of the month.

X. Employee of The Quarter - Discuss the distribution of PJK's outline.XI. Questions/Open DiscussionXII. Next Meeting -

- a) March , 1993
- b) Time \_\_\_\_\_
- c) Place \_\_\_\_\_

XIII. Closing

PREPARED STATEMENT OF WOODROW STANLEY  
MAYOR, FLINT, MICHIGAN

Mr. Chairman, members of the committee, good morning and thank you very much for inviting me here this morning to discuss the housing and community development components of President Clinton's economic stimulus plan. It is an honor to sit before this committee and discuss a plan that could have such a powerful impact not only on Flint, but on cities and towns throughout this Nation.

The timing of this hearing could not be more appropriate for my community. Just last week we presented a comprehensive urban investment plan for Flint and Genesee County to our congressional delegation, lead by the distinguished Chairman of this committee.

In all candor, it was not until the completion of the plan that I realized just how great the needs of my community were. I am certain that urban communities throughout the Nation are no different than Flint. I knew urban America was decaying—I knew my community had some problems—but the level of decay and the depth of need was overwhelming. If my community has such need, the needs of larger urban communities must be staggering.

And that is the premise of our urban investment plan. We believe that Flint could effectively serve as an urban laboratory for the rest of this Nation. We have offered to act as a model for developing and testing new ideas, techniques and approaches to provide long-term, systemic solutions to urban problems. The proposed findings—covering economic development, infrastructure, housing, health social services and law enforcement—will be relevant and replicable in other economically distressed areas.

Like President Clinton, we in the Flint area believe we are charting new ground to make our community globally competitive. If our plan is funded, there is little doubt that Flint, Michigan, will undergo an urban rebirth, providing economic stimulus for growth and prosperity. We would like our success to impact the Nation's success. We are confident that President Clinton's plans for housing and community development fit nicely with our hopes of providing an infrastructure that will empower our community—our Nation—to meet and surpass the economic challenges of the 1990's and the 21st century.

Let's look, for example, to the \$3.6 million additional CDBG dollars that have been projected for my community during the fiscal year. If Flint were to receive the additional funds during this fiscal year, our community could:

- Alone, conduct \$3.6-million worth of improvements to the infrastructure within low- and moderate-income neighborhoods. Our efforts would more effectively and efficiently support the efforts in housing, including the repaving of streets, new curbs, new sidewalks, new sewer lines and water lines where needed.
- We could use the funds to increase our efforts for housing demolition. The additional CDBG funds would allow us to demolish 900 units as opposed to the 50 units our current 200,000 in block grants allow. The city of Flint has more than 2,500 vacant units that need demolition—a restricted 50 units per year is far from breaking even.
- The additional funds could be used to provide 144 purchase rehab/resale/units which is a program that enables the low- and moderate-families to become homeowners.
- Our community could also use the funds to rehabilitate housing to provide safe and sanitary homes to our low income residents.
- If some restrictions were removed from CDBG funds, we could make loans or provide equity to business start-ups or business expansions to provide approximately 360 new jobs.
- Finally, the nonprofit sector could also benefit from the funds if the 15 percent public service limit were removed. The nonprofit sector could use the additional funding to increase services to the homeless men and women in our community, create additional credit at the food bank, increase training and recreational activities for the unemployed youth of our community as well as a variety of other services that are seeking funding within the present limitations of CDBG.

I believe President Clinton's plan is an important first step to addressing the long-term needs of urban America. If approved, the plan will provide the means for allowing urban communities—communities like Flint—to address such critical areas that have long been unattended due to a lack of funding. Urban communities need President Clinton's plan to finally address the absolutely critical needs of infrastructure, housing and economic development. These areas are of critical importance not only to Flint, but to the quality of life of residents living in urban and rural communities all across the country.

I welcome any questions you might have concerning President Clinton's plan for my community.

Thank you.

STATEMENT BY HONORABLE SANDRA WARSHAW FREEDMAN  
MAYOR, TAMPA, FLORIDA

Chairman Riegle and Members of the Committee. Thank you for including us in your consideration of the Housing and Community Development element of President Clinton's Economic Development Plan. The people of Tampa have put together the best housing partnership in the Country and we are always excited about sharing the good news with decision makers in order to help you help us do even better and also enable similar success stories elsewhere.

In your initial letter of invitation to Secretary Cisneros, you requested commentary on the economic stimulus and long-term investment impacts of the President's plan. Secretary Cisneros further suggested that I remark on how this will affect Tampa—especially with respect to selected programs and I will. However, there are a couple of observations which apply to everything we do with HUD which we must call to your attention.

There has been a great deal of talk in this Capitol about stimulating the economy via a one-shot infusion of funds into ready-to-go local public works projects. We are happy to do that. In fact, the City of Tampa has submitted such lists to the Conference of Mayors, the League of Cities, the President's transition team, again to the Administration and also to this Senate.

Ladies and Gentlemen, your cities are ready-to-go. The problem is that the Beltway definition of ready-to-go and ours are not the same. President Clinton's proposal to grant Secretary Cisneros the authority to waive statutes or rules that impede spending is the best news of all. Without such action, we are concerned that our shared goal to immediately stimulate the economy could be stymied by the usual meaningless regulatory and bureaucratic exercises which seem to bog down the expenditure of even the tiniest Federal grant.

We strongly urge that this Congress articulate a loud and clear Federal policy that ready-to-go means ready-to-go. No strings attached. Trust the competence and dedication of your local elected officials. We work for the same people and we all want to get the most out of hard-earned tax dollars by investing them in actual projects and job creation. We have no interest in wasting time and money on a whole new generation of hoops and forms. You've asked how Tampa and other cities could be helped by the President's fine program. You can help in a big way by helping him help us hit the ground running when the monies become available.

Now to specifics.

First, we are thrilled that the Secretary would like our view on what we consider to be one of the most beneficial Federal investments in neighborhoods, Community Development Block Grants.

Can Tampa wisely invest the anticipated \$3 million supplemental CDBG in the Administration's plan? Are we ready-to-go? Are you kidding? We have spent our 1993 CDBG allocation. In fact, our regular funding is obligated long before we even know what we might get.

We have an endless number of projects. If you give us new money we could create first-time home ownership opportunities with existing housing, convert abandoned cigar factories to housing, rehab blighted and boarded up multi-family units and do an adaptive re-use of a former hospital to low-income housing. We could, I'm sure, do more. And, all within 30 to 45 days. How is this possible? Because the beauty of our approach is that the "we" is broadly defined. We have a vital public/private partnership which thrives on leveraging. In the last three years we have turned \$25 million of Federal funds into \$75 million and created 3,627 new and rehabilitated affordable housing units. If we get \$3 million we will turn it into at least \$9 million in sticks and bricks, in jobs in construction and related businesses, in sales and services.

We strongly endorse the CDBG component of the President's plan.

The Secretary asked that we speak also to President Clinton's directives to accelerate HOME funds.

We were very optimistic about the potential of HOME but have been frustrated by its implementation. HOME is a mess of regulatory requirements. Nationally, only four percent of HOME funds have been committed by participating jurisdictions and only two percent have been expended. We're spending ours but it drives us crazy. HOME slams the door on partnership participation. Partnerships are our lifeblood in Tampa. Despite that, we have committed all of our 1992 funds and are

working on those for 1993. HOME is hardly what we would call ready-to-go. It needs cleaning up and the President aims to do that. We respectfully request that you help him liberate HOME and junk all the restrictions which keep us from getting the most bang from the buck. Treat HOME like CDBG. Pair minimal upfront regulation with a good audit trail. Then the dollars will do what you want them to: Hit the street and start stimulating the economy.

Another subject area we were asked to touch upon is the Homeless. The President's budget would provide one-time funds for HUD's Supportive Housing Program. Is that helpful? Yes. Tampa has approximately 1,800 people sleeping under freeways and in open areas, especially this time of year. Since partnerships are the linchpin in every Tampa activity, we also serve the homeless through a dedicated mix. Currently our Homeless Coalition serves about 500 of these people every night. This is, regrettably, stop gap only.

The President's additional supplemental funding and incentives for integrated approaches would breathe life into a wonderful plan which now resides on paper: a Homeless Campus Complex, an expansion of our current Metropolitan Ministries operation.

Absent this special funding it will be years before we can make this dream come true. With new dollars we could be permitted and construction-ready within 45 to 60 days, a model for the Country. This premier in service delivery for the homeless would offer a variety of services. From housing to job training all at one location. Our vision includes family care facilities, nutritional programs, vocational opportunity, a clinic, veterans services and more.

Today, the Metropolitan Ministries' homeless center struggles to help 200 to 300 homeless—30 family units—in various capacities. If expanded, this crucial partner could serve at least 500, and in a much more meaningful way.

Finally, we were asked to address the acceleration of Public Housing Modernization funding. The city of Tampa does not have direct governance in this area. But we do commit resources and view improving the quality of life in Public Housing as part of our mission. We support speeding up the funds with a caveat. We must be free to look beyond one-to-one replacement when we modernize. No one craves the opportunity to be innovative and creative more than the public housing residents themselves. It does little good to modernize facilities which pile thousands of people on top of each other in miserable, poorly designed complexes. We urge that some departure from one-to-one be allowed if directed toward alleviating high densities. Furthermore, we must be free to correct the mistakes of the past and speak to the very location of safe and sound living facilities. Some of these complexes are as old as 55 years. They will never be modernized, even though funds will be wasted, allegedly for that purpose. It is an impossibility. Flexible alternate replacement would be better. Your partners in local government could astound HUD with what we could do if unfettered.

Again, thank you for including us this morning. I referred to the importance of partnerships several times. You are among our most important partners. President Clinton has challenged us to do what the American people have been doing—making the most out of very tight budgets. He has a Plan. A good one, I think. Together we can make it a success.



# THE UNITED STATES CONFERENCE OF MAYORS

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## Testimony of

## THE HONORABLE MICHAEL WHITE Mayor of Cleveland

## On Behalf of

## THE UNITED STATES CONFERENCE OF MAYORS

## Before the

## SENATE BANKING AND URBAN AFFAIRS COMMITTEE

Tuesday, February 23, 1993  
534 Senate Dirksen Office Building

MR. CHAIRMAN, I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE THIS COMMITTEE TODAY ON BEHALF OF THE UNITED STATES CONFERENCE OF MAYORS. AT THE OUTSET LET ME EMPHASIZE THE CENTRAL MESSAGE OF THE NATION'S MAYORS; NAMELY, WE WHOLEHEARTEDLY SUPPORT THE PRESIDENT'S SHORT AND LONG-TERM ECONOMIC INVESTMENT PROPOSALS AND WILL WORK TIRELESSLY TO ENSURE THEIR ENACTMENT INTO LAW AT THE EARLIEST POSSIBLE DATE.

IN THAT CAPACITY, LET ME REITERATE THE POSITION CONSISTENTLY TAKEN OVER THE PAST TWO YEARS BY THE NATION'S MAYORS AND THAT IS SIMPLY THAT AN ECONOMIC STIMULUS IS NEEDED AND THERE ARE CAPITAL PROJECTS IN OUR CITIES THAT ARE "READY TO GO" THAT WILL EMPLOY PEOPLE IMMEDIATELY.

BUT EQUALLY IMPORTANT WE AS MAYORS CAN LOOK OUT BEYOND THE WALLS OF OUR CITY HALLS AND RECOGNIZE THAT AMERICA WILL NEVER HAVE A VIABLE FUTURE IF IT IS BUILT ON A HOUSE OF CARDS FORTIFIED BY DEBT, FALSE PROMISES AND A SHORT-TERM VIEW OF LIFE.

IN THE WORDS OF A 92-YEAR-OLD CLEVELANDER I TALKED TO 24 HOURS AFTER THE PRESIDENT'S SPEECH, SHE SAID, AND I QUOTE..."IT'S TIME TO PAY THE PIPER."

WE AGREE ...IF THESE SPENDING CUTS AND INVESTMENTS AREN'T MADE, OUR FUTURE AS A WORLD ECONOMIC SUPERPOWER AND THE FUTURE OF OUR CHILDREN ARE INDEED GRIM.

LAST WEEK, THE CONFERENCE RELEASED A TWO-VOLUME SURVEY IDENTIFYING NEARLY 4,400 CONSTRUCTION PROJECTS THAT COULD BE COMPLETED BY THE END OF THIS CALENDAR YEAR, EMPLOYING ALMOST 200,000 PEOPLE IN OUR CITIES. AT THIS POINT I WOULD LIKE TO SUBMIT THIS SURVEY TO THE COMMITTEE TO BE INCLUDED IN THE RECORD.

MR. CHAIRMAN, THE ECONOMY MAY BE IN RECOVERY, BUT LET'S NOT BE FOOLED BY THE APPEARANCE OF THE ECONOMIC INDICES ALONE. THERE IS A HUMAN SIDE TO ECONOMICS. IT HAS TO DO WITH THOSE FELLOW CITIZENS WHO ARE NOT PARTICIPATING IN THE RECOVERY. IT HAS TO DO WITH THOSE LEFT BEHIND BY TWELVE YEARS OF NEGLECT. IT HAS TO DO WITH JOBS. EVEN BUSINESSWEEK RECOGNIZES THAT WE ARE IN A RECOVERY BUT ..AND I QUOTE "EMPLOYMENT LAGS BADLY." WE BELIEVE THE PRESIDENT'S PLAN CAN ADDRESS THIS PERPLEXING DILEMMA.

IN ADDITION TO BUSINESSWEEK, THE DEPARTMENT OF LABOR SAYS THAT THIS RECOVERY HAS PRODUCED VIRTUALLY NO JOB GROWTH COMPARED WITH TYPICAL RECOVERIES. JOB GROWTH IN THE CURRENT RECOVERY IS MERELY 0.2 PERCENT, WHILE JOB GROWTH IN A TYPICAL RECOVERY IS 6.5 PERCENT. IT TRULY IS A "JOBLESS RECOVERY."

THE CONFERENCE OF MAYORS HAS PRODUCED A MONTHLY ACCOUNT OF "REAL" UNEMPLOYMENT IN AMERICA'S LARGEST 30 CITIES OVER THE PAST SIX MONTHS. WHEN YOU INCLUDE THOSE WHO ARE TOO DISCOURAGED TO LOOK FOR WORK AND THOSE WHO ARE WORKING PART-TIME BUT DESIRING FULL-TIME

WORK, THE "REAL" UNEMPLOYMENT LEVEL IN THE TOP 30 CITIES IS CONSISTENTLY MORE THAN DOUBLE THE OFFICIAL NATIONAL RATE.

BETWEEN JULY AND NOVEMBER OF LAST YEAR (THE LATEST MONTH FOR WHICH INNER CITY UNEMPLOYMENT DATA IS AVAILABLE FROM THE BUREAU OF LABOR STATISTICS), THE "REAL" UNEMPLOYMENT RATE IN CLEVELAND IS ESTIMATED TO AVERAGE 18.0 PERCENT, ACCORDING TO THE CONFERENCE, WHILE THE OFFICIAL NATIONAL RATE AVERAGED 7.5 PERCENT. AND I CAN TELL YOU THAT THIS 18.0 PERCENT LEVEL IS CONSERVATIVE. IN DETROIT "REAL" UNEMPLOYMENT LEVEL OVER THE SAME TIME PERIOD AVERAGE 23.5 PERCENT, MORE THAN THREE TIMES THE OFFICIAL NATIONAL AVERAGE.

CLEVELAND AND DETROIT ARE NOT ALONE. THE 30-CITY AVERAGE OVER THE JULY-NOVEMBER TIME PERIOD IS NEARLY 15.0 PERCENT. THIS SUGGESTS THAT THE PROBLEM OF UNEMPLOYMENT IS GREATEST IN OUR URBAN AREAS AND IT IS NO COINCIDENCE THAT THIS PROBLEM IS DIRECTLY RELATED TO THE FEDERAL DISINVESTMENT THAT HAS BEEN DOCUMENTED IN OUR CITIES OVER THE PAST TWELVE YEARS.

MR. CHAIRMAN, THE CONFERENCE OF MAYORS HAS SHOWN THAT FEDERAL AID TO CITIES OVER THE 1981-1993 PERIOD FOR KEY URBAN SPENDING PROGRAMS HAS DECLINED BY MORE THAN 66 PERCENT IN REAL TERMS, THAT IS ADJUSTED FOR INFLATION.

THE \$16 BILLION SHORT-TERM INVESTMENT CALLED FOR IN THE PRESIDENT'S ECONOMIC PROGRAM IS BUT A DOWNPAYMENT ON THIS DISINVESTMENT. THE STIMULUS PROPOSAL, COMPLIMENTED BY THE STRATEGIC LONG-TERM INVESTMENT OUTLINED IN THE PRESIDENT'S PACKAGE WILL HELP GET THIS ECONOMY MOVING AGAIN. AND THAT IS WHAT THE CHANGE MANDATED BY THE AMERICAN PEOPLE IS ALL ABOUT.

I STAND SHOULDER TO SHOULDER WITH MY FRIEND AND COLLEAGUE MAYOR HELMKE, A REPUBLICAN, AND THE PRESIDENT OF THE CONFERENCE OF MAYORS, MAYOR ALTHAUS, ALSO A REPUBLICAN, AND THE LEADERSHIP OF THE U.S. CONFERENCE OF MAYORS IN EXPRESSING OUR 100 PERCENT COMMITMENT TO SECURING PASSAGE OF THE CLINTON PROGRAM IN ITS ENTIRETY.

I WELCOME ANY QUESTIONS YOU MIGHT HAVE.

**RESPONSE TO WRITTEN QUESTIONS FROM SENATOR RIEGLE  
BY HENRY G. CISNEROS**

**February 23, 1993**

**Q.1. Need for Affordable Housing**—What do you estimate to be the need for affordable housing and community development over the next four years and during this period of limited resources? How much of that need will HUD be able to meet?

**A.1.** Based on data from the American Housing Survey (AHS), HUD estimates that some 4.7 million of 5.1 million "worst case" renters have the most pressing needs for affordable housing. These unassisted very low-income renters paid more than half of their income for housing. Census Bureau projections of continued growth in very low-income families suggest that with incremental assistance of 100,000 units per year, unmet worst case needs will remain near 5.1 million in 1995. Another 3.8 million very low-income and 2.1 million low-income renters had less severe affordability problems in 1989, paying 31–50 percent of income for housing.

In 1989, of 36 million units occupied by renters and owners with incomes below 80 percent of median, about 4.8 million were in inadequate condition. About 2 million of these units were estimated to have moderate problems that could be remedied through rehabilitation. The remainder had severe problems where replacement with an existing or new unit might be more cost effective than rehabilitation. After considering availability of vacant affordable housing, HUD previously estimated a need for 630,000 to 830,000 new affordable units.

The main HUD program related to affordable housing is the HOME program. If the HOME Program is funded at the FY 1992 level (\$1.5 billion) over the next four years, the Department estimates that the HOME Program can provide affordable housing to about 72,000 families per year. This estimate assumes the rehabilitation, acquisition or new construction of about 52,000 units per year and rental assistance to about 20,000 families per year. The number of families actually assisted may be less since some of the tenants receiving rental assistance will probably live in housing that has been acquired, rehabilitated or built with HOME funds. Since HOME funds may be used for acquisition, new construction, and rehabilitation of housing, as well as for tenant-based rental assistance, this program provides flexibility to jurisdictions to use the funds to meet their local affordable housing needs. If jurisdictions choose to use more funds for tenant-based rental assistance and less for new construction and rehabilitation than the Department has estimated, more families may be assisted. Using our current estimates, the HOME Program should provide affordable housing to approximately 288,000 families over the next four years.

**Q.2.** Can you tell the Committee where this proposal (for creating a national network of community development banks) is in the planning process and what role HUD will play in its development?

**A.2.** The White House has organized a working group to develop a reinvestment strategy for distressed communities. One of the areas the Working Group is focusing on is the promotion of Community Development Banks. HUD along with several other Depart-



ments is participating in the Working Group. The roles of the various Departments will be defined when the Administration's proposal is completed.

**Q.3.** Does President Clinton still plan to include targeted public investments in his Enterprise Zone program?

**A.3.** A White House working group is also developing the Administration's proposal for a Federal Enterprise Zone program. HUD is participating in this effort along with OMB, Treasury, Agriculture, and Commerce. The number and type of proposed zones, incentives and other enhancements are not yet final. I will keep the Committee informed as the proposal is more specifically defined.

**Q.4.** Will you and the Administration work with us to move legislation quickly to authorize this \$500 million (appropriated but dependent upon passage of Enterprise Zone legislation)?

**A.4.** We are most anxious to have legislation passed as quickly as possible once the Administration's proposal is completed and it is our goal to make use of this \$500 million appropriation.

**Q.5. Environmental Clean-up Bill**—I, together with my colleagues, Senators Dodd, Boxer, Moseley-Braun and others—have introduced legislation that provides funding for the reuse or "recycling" of abandoned and underutilized industrial and commercial facilities in distressed areas. Do you share my belief that this action on this issue is a necessary part of a national community revitalization plan?

**A.5.** I strongly support the objectives of your legislation, S. 299. You and your colleagues have identified an important priority for the revitalization of our urban areas. Abandoned industrial and commercial sites are a major problem for many communities. As you have said, taking steps to reuse and rehabilitate these areas will increase the tax base, rehabilitate distressed neighborhoods and provide a new start for communities that are currently locked in economic decline.

A fundamental issue is how best to achieve the objectives of your legislation. I believe it is important to weigh carefully whether a new and free-standing program, with a new authorization and additional staffing and administrative requirements, is preferable to achieving those objectives through better use of existing programs.

I am aware that you have sought the views of the Department on this legislation, and we are in the process of preparing a formal, detailed response to you. We will provide our response as quickly as possible, and we look forward to discussing this legislation further with you when you have reviewed the Department's comments.

**Q.6. Reverse Redlining**—The Banking Committee is holding hearings to examine the problem of inadequate access to capital in low-income and minority communities. Last week, we heard that communities with limited access to conventional credit are being preyed upon by unscrupulous lenders who offer home equity mortgages with exorbitant rates and fees and then foreclose when people are unable to pay.

Last year's Housing Act extended the Real Estate Settlement Procedures Act to cover second mortgages. What progress is HUD

making in implementing this change and how else are you combating inequities in minority access to capital?

**A.6.** On May 13, 1993, HUD published a Proposed Rule in the *Federal Register* to initiate the process of extending the protection of the Real Estate Settlement Procedures Act (RESPA) to all junior lien settlement transactions (including home equity loans and lines and home improvement loans) involving one- to four-family residences, as required by the Housing and Community Development Act of 1992 (October 28, 1992). Under the rule, loan applicants receive a Good Faith Estimate of closing costs and a form of the HUD-1 Settlement Statement at closing. Criminal and civil penalties apply to violations of RESPA.

RESPA will extend to these transactions as soon as the rule-making process is completed. The comment period on the proposed rule will end on July 12, 1993, after which the Department will consider what are expected to be extensive comments, and issue a Final Rule. While RESPA deals with closing costs, it is not a fee setting or rate setting statute and would not normally reach the interest rates or points charged on a particular loan.

In addition, we are in the process of promulgating housing goals for the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) [collectively "the enterprises"]. The housing goals, required under the Federal Housing Enterprise Financial Safety and Soundness Act of 1992, enacted as Title XIII of the Housing and Community Development Act of 1992, will establish requirements for the enterprises to increase their purchases of mortgages on housing for low- and moderate-income families and on housing located in central cities. Because minorities are included in low- and moderate-income families and live in central cities, one major benefit of the housing goals will be to increase the availability of capital to minorities; the increased capital will provide mortgage financing for housing owned, or rented, by families including minority families.

**Q.7. Expediting CDBG Spending**—The 1992 Housing Act contained several amendments to permanently remove the administrative burdens associated with using CDBG funds for economic development. Could implementation of these amendments be expedited to facilitate job creation?

**A.7.** Some of the provisions were self-implementing and do not depend on issuing regulations, although they will be added to the rules to make them complete. On January 6, 1993 HUD sent a letter to all of its grantees identifying the changes and which of them were self-implementing.

HUD is in the process of drafting guidelines on non-self implementing provisions. They include guidelines covering project costs and financial requirements and those identifying the amount of public benefits that must result from CDBG expenditures. We hope to publish them by the end of this summer for the purposes of obtaining public comment.

Provisions relating to counting of low- and moderate-income persons in enterprise zones will be implemented when the Empowerment Zones legislation is passed.

Thus, HUD is already expediting implementation of the provisions of the Act to facilitate job creation.

**Q.8. Community Outreach Partnership**—The Housing and Community Development Act of 1992 included the Community Outreach Partnership, a demonstration program to facilitate linkages between institutions of higher education and local communities in solving urban problems. What progress has the Department made towards implementing that program?

**A.8.** The Department has determined that this demonstration program can be initially implemented by a Notice of Funding Availability (NOFA). The NOFA has been drafted by the program office and is undergoing a preclearance review by program counsel. The next step is to submit the NOFA to the Office of Regulations for departmental clearance. The development of this NOFA is on a fast track, and the program office is hoping for completion by early July.

#### **RESPONSE TO WRITTEN QUESTION FROM SENATOR DOMENICI BY HENRY G. CISNEROS**

**Question:** With regard to the HUD role in the White House Task Force on welfare reform, I am very interested Mr. Secretary in a very obvious fact. Most tenants in public housing projects are single women who are heads of households. You and I have discussed the drug problems in public housing and the problems facing today's youth generally. These problems are, of course, worse in public housing projects.

It strikes me that the need to help these women in public housing is a major key to welfare reform. I know you have already testified before the House about the job training and child care needs of these tenants. I am interested to know if HUD, under your leadership, will be establishing systematic procedures for identifying tenant problems and needs—especially those of the non-working or poorly paid single women. I was encouraged by the press accounts of your concerns and would like to encourage you to look at the problems in public and assisted housing as they affect women and their families.

Our goal should be to factor into all HUD housing projects and programs the unique problems of women in these housing projects so that we can do more to target HUD programs to help ease the tensions in public housing. Do you plan to have your HUD Planning and Evaluation Branch conduct special inquiries or studies addressing the concerns of these single women and ways to help them help themselves?

**Answer:**

#### **SINGLE-FEMALE HEADED HOUSEHOLDS**

According to data developed by our Office of Policy Development and Research, using the Multifamily Tenant Characteristics System (MTCS), approximately 63 percent of the households in the low-income housing program are headed by single women. However, to differentiate between elderly- and family-occupied units, about one-half of those single female heads-of-household, are elderly—widows or retirees, most frequently living alone. The data also

show that 38 percent of public housing units are occupied by families including two or more adults. Therefore, it would be most accurate to say that approximately one-third of public housing households are female-headed, single-parent families with children.

The Department is committed to dealing with the problems and needs of this segment of the public housing population in the context of inter-agency cooperation on welfare reform. In addition, HUD is seeking to address the special housing assistance needs of these families in the following ways:

### **Income-Based Rent Computations**

By law, all assisted housing residents are required to pay a portion of their income, usually 30 percent of monthly adjusted gross income, toward the cost of their housing. As income increases, the rent obligation increases in proportion. The Department recognizes that the increased rent burden can be difficult, especially in the case of families re-entering or attempting to re-enter the workforce, when simultaneously incurring work-related expenses. For this reason, HUD regulations on determination of income explicitly recognize a deduction for child care expenses that are necessary to allow a family member to go to work or to pursue education or training. This child-care deduction is in addition to the statutory deduction of \$480 per minor child in determining income.

Under the Family Support Act, the Department of Health and Human Services (HHS) is able to continue a family's Medicaid eligibility for at least the first twelve months after initial employment (six months with no premium, and on a sliding scale premium for the second half year) for families making the transition from welfare to work.

### **Regulatory Amendments in Process**

The Department has a number of initiatives under way that will affect all low-income families in public housing, and many of these will be of particular importance to single-parent families. In the very short run, we are completing a regulatory change on rent determinations, including six discretionary exclusions from the definition of income for rent, exclusion of benefits received from certain job training programs, and exclusion of lump-sum payments of deferred, or catch-up Social Security or 551 benefits. In addition, the subject regulatory change will revise and up-date the procedures for establishment of rent ceilings in low-income public housing, as initially authorized in the Housing and Community Development Act of 1987.

### **Authorized But Not Funded**

In a similar vein, the Department was authorized (in the Cranston-Gonzalez National Affordable Housing Act of 1990) to permit a phase-in of rent increases for families in transition from welfare to employment, a 10 percent deduction from earned income, a deduction of medical expenses for non-elderly families on the same basis as is already permitted for the elderly, and an income deduction for child support payments paid out. All of these provisions would be of particular benefit to the non-working and single-female heads of households identified in the Senator's question.

## **Child Care Demonstration Program**

The Public Housing Early Childhood Development Program was enacted in the HCD Act of 1987 to provide services in or near public or Indian housing communities. The child care program was authorized at \$5 million in 1987 and \$15 million in 1990. Since 1990, the program has been administered under a Memorandum of Understanding between HUD and HHS. Through this inter-agency mechanism, children in Public and Indian Housing have had access to an on-going, proven educational support and child care arrangement, health screening, dental care, and nutritional and other services not otherwise available. The HUD grants have been used for "wrap-around" child care services, such as before- and after-school care, infant and toddler care, and parent involvement for both Head Start eligible and non-eligible children from public and Indian housing.

HUD and HHS awarded \$4.8 million in FY 1990 funds to 22 Head Start grantees nationwide, and \$9.9 million in FY 1991/92 monies to 49 Head Start grantees and eligible resident entities. It is estimated that an annual appropriation of \$5 million will continue to serve between 1,250 and 1,500 families.

## **Family Self Sufficiency**

One major focus of the Department's efforts in support of at-risk families, including single-parent families, is the Family Self Sufficiency program (FSS). This program was enacted as part of the Homeownership and Opportunity for People Everywhere (HOPE) initiatives in the National Affordable Housing Act of 1990. It builds on the experience of two prior HUD initiatives, Project Self-Sufficiency and Operation Bootstrap.

Family Self Sufficiency mobilizes HUD housing assistance to leverage public- and private-sector services and resources that can help residents of public and assisted housing achieve economic independence. Use of housing as a stabilizing force permits the families to invest their energy in other efforts—including employment, education, and job training—that are necessary to achieve self sufficiency.

Public Housing Agencies (PHAs) and Indian Housing Authorities (IHAs) are required to develop and promote local strategies that coordinate Section 8 Rental certificates and rental vouchers and public and Indian housing with existing public and private resources. PHAs and IHAs must consult with their local Job Training Partnership Act (JTPA) and Job Opportunities and Basic Skills Training (JOBS) agencies when designing their programs.

The services that may be provided include, but are not limited to, the following:

- Child care;
- Transportation;
- Remedial education;
- Education for completion of high school;
- Job training, preparation, and placement;
- Treatment and counseling for substance and alcohol abuse;
- Training in homemaking, parenting skills, financial management, and household management;

- Counseling about rental and home ownership opportunities in the private market; and
- Other services necessary to help participating families become self sufficient.

At this point in the FSS program it is too early to describe any serious research or evaluation activities. However, the Department's present efforts in this area are concentrated on developing a data base of FSS program information to facilitate evaluation activities at a later date.

### **Project Self-Sufficiency**

HUD launched Project Self-Sufficiency (PS-S) in 1984 as a demonstration designed to encourage communities to coordinate resources—including housing—in a comprehensive education, training, and employment program aimed at moving very low-income families into the economic mainstream. Most importantly in response to Senator Domenici's inquiry, PS-S was specifically limited to single parent households. PS-S served only families on the Section 8 waiting list and offered only rental certificates.

In many important ways, FSS is very similar to PS-S. PBAs (and IHAs) were responsible for administering the Section 8 rental certificates issued in support of the PS-S program. A coordinating committee developed the action plan and located public and private resources. Individual action plans were developed with each family describing both the resources to be provided and the commitments of the family. While JTPA coordination was not required and the JOBS program did not yet exist, JTPA proved to be a major resource for job training and other services.

Project Self-Sufficiency was tested in 155 communities, and provided assistance to almost 10,000 families. Data compiled in 1988 from project directors at 134 sites indicate that low-income families are interested in self-sufficiency programs. Over 29,660 single parents applied for the 10,000 available PS-S slots, and 9,928 were selected. Four years into the demonstration, 42 percent of the participants had completed the program. They had either obtained full-time employment with growth potential or had enrolled in 2- or 4-year college degree programs. The average wage of those with full-time jobs was over \$5.00 per hour. Project directors estimated that most participants would require from 3 to 5 years to achieve employment and education goals.

The security and stability provided by housing assistance was considered essential to the transition from dependency to employment. Project Self-Sufficiency directors also viewed the comprehensive service package as one of the main reasons for the success of the program.

### **Operation Bootstrap**

At the conclusion of the Project Self-Sufficiency demonstration, HUD initiated Operation Bootstrap, which built upon and refined the PS-S experience. Two-parent families were eligible, as were current Section 8 certificate holders. Sixty-one communities were awarded a total of 2,842 rental certificates in a national competition held in 1989. A study of Operation Bootstrap sites was under-

taken in September 1991. The final report should be completed in the Fall of 1993.

**RESPONSE TO WRITTEN QUESTIONS FROM SENATOR RIEGLE  
BY SANDRA WARSHAW FREEDMAN, MAYOR, TAMPA, FLORIDA**

**Q.1.** Given the extraordinary needs facing our distressed communities, what impact will the new money and new programs have?

**A.1.** We estimate that with the immediate infusion of \$5,600,000 in Federal funds, the City of Tampa could begin \$11,050,000 in housing construction and rehabilitation within 30 days. We calculate that the economic impact would be \$27,625,000 and would create 290 jobs for one year. There would be another \$8,800,000 in housing related activities that could begin in 90 days given an infusion of \$4,300,000 in Federal funds. The economic impact would be \$22,000,000 and would create an additional 200 jobs. Finally, given an additional \$12,000,000 in Federal subsidies, Tampa could bring another \$18,000,000 in construction on line within 180 days. This would create an economic impact of \$45,000,000 and 364 new jobs.

In total, \$21,900,000 in new Federal spending on housing in Tampa would result in \$37,850,000 in new or rehabilitated units. The total economic impact would be \$94,625,000 and create 854 new jobs.

**Q.2.a.** In order to facilitate fast spending and job creation, what CDBG statutory and regulatory provisions should the Secretary waive to get the money out into your communities?

**A.2.a.** (1) Raise limit on project specific jobs requiring HUD approval: current construction costs, regulatory and environmental costs have risen. Typical project costs over the past several years have increased. Raise the limit and delegate authority to local HUD Regional Office. (2) Waive Davis-Bacon Act requirements which require a large amount of time and paperwork. Use local prevailing wages and limit reporting and monitoring requirements.

**Q.2.b.** How many jobs will be created in your communities through CDBG and over what period of time? What types of projects will you spend this money on?

**A.2.b.** The City of Tampa will receive \$3,100,000 in supplemental FY 1993 CDBG funds. These funds will be leveraged with other public and private sector funds to produce more than \$6,000,000 in housing construction and rehabilitation. These projects will produce enough wages to employ 226 workers for one year. Furthermore, it will have the effect of creating or bolstering jobs in related industries and sales.

CDBG funds will be spent through various non-profit groups and by the City of Tampa on the following projects:

- New single-family home construction
- Rehabilitation of homes of elderly
- Rehabilitation of homes of other low-income homeowners
- Mixed use projects (residential/commercial use—Federal and commercial bank funds)
- Special needs housing
- House moves
- Homeless facilities upgrades

—Purchase/rehabilitation (commercial bank and CDBG funds).

**Q.3.** What types of changes are needed to help localities use their HOME funds?

**A.3.** In the long run, HOME funds should be earmarked exclusively for housing and made a part of the CDBG program. Some aspects of the CDBG program would have to be liberalized (e.g., new construction). But by and large, the existing CDBG guidelines which allow flexibility and control and which are familiar to grantees could be used to administer HOME funds. In this way, HOME can become the block grant program for housing that it was intended to be.

In terms of beneficial changes that can be made in the existing HOME structure, we would recommend the following:

(1) Remove all future affordability requirements and resale restrictions. There may be some cities where these limitations are warranted. But for the vast majority of municipalities, these restrictions are meaningless and only serve to complicate the program. Nothing would make us happier than to see a rapid run up in the value of our HOME assisted neighborhoods. Any "windfall profit" would more than be deserved by the homeowners who live there day in and day out. These profits would never amount to a tenth of the cost of administering these cumbersome restrictions.

(2) Standardize eligible income requirements across all HUD programs. In severely depressed or targeted neighborhoods, do away with income requirements entirely as long as the area remains depressed.

(3) Give HUD Area Offices more authority to interpret and waive rules, and to decide on projects costing \$50,000 or below. Permit one appeal to the HUD Regional Office.

(4) Lessen the threat of fiscal penalties for errors in program administration. A jurisdiction should not have to refund program dollars unless HUD can demonstrate gross neglect or an intent to defraud.

Penalties for program violations resulting from other causes should be limited to withholding future funding. Our observation is that many jurisdictions are unwilling or slow to put complex programs like HOME into practice for fear of having to tap into general revenues should any mistakes be made in its administration.

(5) Permit jurisdictions to use the lump sum drawdown agreements to pay vendors on a timely basis. The cash management system is cumbersome and time consuming. The construction contractors who are involved in affordable housing are generally small businesses and often under-capitalized. Their cash flow situations require quick payment; they cannot afford to wait a week or two for construction draw funds.

(6) In calculating local match, all private sector dollars, present and future value, not just the value of interest rate differentials on loans, should be counted as match in targeted areas. The point is that commercial dollars can mean the difference in whether or not a particular neighborhood revitalization project is possible. Such dollars will always make a difference in the breadth and scope of such projects. For this reason, the value of all commercial dollars



loaned or invested in a targeted area during the course of the program year should count as match.

**Q.4.** Do you have any sense of whether the President will incorporate a National Infrastructure Program proposal into his economic plan? What role, if any, might HUD play in implementing a plan to attract private investment for infrastructure?

**A.4.** We do not have a sense of whether the President will incorporate the idea of promoting infrastructure investment through a national corporation using bond insurance and guarantees.

We are familiar with the concept; similar approaches have been used in the case of affordable housing in Milwaukee. It would seem that there would be a role for HUD as it relates to housing improvements by making insurance and guarantees available. This would require some radical rethinking at HUD, however, since Tampa has experienced great difficulty with HUD in using Federal subsidies to provide limited guarantees in a local program known as the Mayor's Challenge Fund. In the last five years, this program has attracted some \$50 million in private investment in affordable housing by leveraging private and public sector dollars backed by limited loan guarantees.

**Q.5.a.** Do cities have enough supportive housing projects ready to go to absorb this money?

**A.5.a.** The City of Tampa has many projects that would readily absorb projected funding. Metropolitan Ministries, one of Tampa's leading non-profit homeless providers, is preparing a major expansion of its facility, at a cost of \$787,000. This expansion will provide an additional 204 beds, 250 meals, and many other necessary supportive homeless services. In addition to the cost involved with construction, Metropolitan Ministries has requested \$33,000 to support ongoing homeless services.

The Agency for Community Treatment Services, Inc. (ACTS), another one of Tampa's many homeless providers, is involved in an expansion of its transitional housing facility in order to double its homeless person capacity. In addition, other homeless supportive services currently existing will be expanded due to increased capacity. Further, ACTS is requesting an additional \$20,000 to support their homeless housing operations.

Tampa Community Health Center, Inc. provides emergency health care services for Tampa's homeless population. Tampa Community Health Center has recently requested \$22,400 to assist in continuing to provide both medical and mental health services to nearly 6,000 homeless people a year.

Alpha, "A Beginning of Tampa, Inc.," provides a home for 20 young pregnant women in need of safe housing. It is the only licensed maternity home in Hillsborough County. Capacity of this facility is 100 percent with a constant waiting list. Alpha's program provides housing, counseling, food, clothing, transportation, parenting, nutrition, and support skills. Alpha has requested nearly \$10,000 for support of their homeless program.

The homeless providers mentioned are four out of roughly thirty non-profit homeless providers just within the City of Tampa. With increased funding these agencies will be able to expand their grow-

ing demand for services. It is our belief that funding cannot be absorbed quick enough.

**Q.5.b.** How many jobs will these funds create over what period of time?

**A.5.b.** The multiplier effect of \$909,400 Federal dollars for homeless activities into Tampa's economy would create approximately 34 jobs. Positions would range from the professional level, such as counselors and psychologists, to entry level laborers and technicians. Further, related industries and vendors would experience positive results.

**Q.5.c.** What impact will this money have on reducing homelessness in your cities?

**A.5.c.** Homelessness in the Tampa/Hillsborough County area is compounded by the fact that Florida and the Tampa Bay Area are in the midst of a population explosion. Many of those who are entering the State face temporary experiences of homelessness as they relocate and attempt to establish themselves in new communities. Others present extended histories of chronic transience and homelessness. Further compounding occurs because most of the homeless service providers are located within the City of Tampa limits drawing Hillsborough County's homeless population to the City. With this in mind the direct impact of funding would be to reduce the homeless population by 254 within a year if funding is received for the projects mentioned.

**Q.6.** What types of mass transit needs do you have in your community and how do you anticipate increased Federal support will help with those needs?

**A.6.** The City of Tampa does not operate our area's mass transit system. However, we are very supportive of our Hillsborough Area Regional Transit Authority (HARTline). Should you wish details on how increased Federal support would be most helpful to our community, we would be happy to put your staff in contact with the appropriate HARTline representative.

**Q.7.** What do you estimate to be the need for affordable housing and community development in your cities over the next four years? In this time of limited resources, how much of that need will you be able to meet with HUD's or your own resources?

**A.7.** Thirty-nine percent (45,000) households in the City of Tampa are at or below 80 percent of the area median income. Twenty-nine percent of the households spend more than 30 percent of their monthly incomes on shelter. About 18 percent, of the structures, or approximately 20,000 units, are rated as substandard. About 1,000 units become substandard every year. It is only in the last three years that the rate of new and rehabilitated affordable housing has exceeded the rate of increase in substandard homes. In order to reduce the backlog while keeping abreast of currently deteriorating units and expanding demand for affordable housing, Tampa needs to bring 2,000 new or rehabilitated units on line during each of the next four years.

Tampa will rely heavily on its community-based housing partnership to meet these needs. Since formation of the partnership in 1985, affordable housing (new and rehabilitated) has grown annu-

ally from 37 units using \$1,000,000 in mostly Federal funds to 1,400 units in 1993 using \$43,000,000 in Federal, State, local and private dollars. Sixty percent of all affordable housing dollars will derive from private investment, 38 percent from Federal programs and the balance from State and local government.

**RESPONSE TO WRITTEN QUESTIONS FROM SENATOR RIEGLE  
BY PAUL HELMKE, MAYOR, FORT WAYNE, INDIANA**

**Q.1.** Given the extraordinary needs facing our distressed communities, what impact will the new money and new programs have?

**A.1.** The \$2.1 million in Community Development Block Grant funds that is projected for Fort Wayne will allow us to do the following:

1. Make all of the sidewalks in our central business district accessible for wheelchairs, in compliance with the Americans with Disabilities Act,

2. Replace deteriorating infrastructure in 25 to 30 low-income neighborhood blocks,

3. Reconstruct a 100-year old sewer which serves several hundred low- and moderate-income households,

4. Make urgently needed roof repairs to our business incubator, located in Fort Wayne's Enterprise Zone.

We estimate that these expenditures will create approximately 100 construction jobs in addition to meeting important infrastructure needs in Fort Wayne's low-income neighborhoods. The important thing to remember is that these jobs will put money into the pockets of people who will spend it—on groceries, retail goods, and cars. These funds will be pumped into our local economy almost instantly.

**Q.2.a.** In order to facilitate fast spending and job creation, what statutory and regulatory provisions should the Secretary waive to get the money out into your communities?

**A.2.a.** (1) Environmental Review—Waiving the environmental review requirements on projects that simply replace deteriorated infrastructure would speed up our ability to expend funds by as much as 30 days with no impact on the environment. Our staff currently spends a lot of time (and paper) reviewing the environmental impact of replacing curbs and sidewalks in central city neighborhoods where curbs and sidewalks have existed for decades. (2) Citizen Participation/Public Notice—If cities are allowed to treat the funds as an increase in their 1993 entitlements, and need only to publish an amendment to its previously submitted budget, we do not anticipate that we will have significant delays in expending the monies.

**Q.2.b.** How many jobs will be created in your communities through CDBG and over what period of time? What types of projects will you spend this money on?

**A.2.b.** We estimate approximately 100 construction jobs will be created between the date of our signed contract with HUD and late October, 1993. Assuming that Congress and HUD take timely action, construction (and hence, the jobs) could begin in June, 1993.

A list of projects is provided under the answer to Question 1, above.

**Q.3.** What types of changes are needed to help localities use their HOME funds?

**A.3.** 1. Changes in program income regulations.—HOME program income should be treated like CDBG where City's program income is regularly returned to the U.S. Treasury, then we draw down funds from Treasury. The "first in-first out" rule with HOME makes processing payments VERY difficult, cumbersome and time-consuming.

2. Do not use home equity as income.—Figuring home equity as "income" is just more paperwork for our loan processing staff, and does not accurately reflect the income of applicants.

3. Communication within HUD needs to be dramatically improved.—Participating jurisdictions are receiving information before the HUD Area Offices do; when staff calls our C.P.D. Representatives for help, they don't know what we're talking about. In addition, there are problems with forms and instructions not being consistent: the instructions for the Project Set-Up and Completion Report do not match the actual form.

4. Real technical assistance needs to be provided by LOCCS.—The Line of Credit Control System (LOCCS) "Helpline" does not provide accurate information to resolve technical difficulties. It appears to our staff that no one has any answers, yet we are responsible for responsibly expending money in accordance with LOCCS rules and procedures.

5. Allow maximum statutory flexibility.—For example, rather than requiring that "affordability" be defined as "30 percent of 75 percent of median income," let cities determine their own standard. These standards could be subject to HUD's approval in the Program Description.

6. Increase match flexibility.—For example, private debt, incurred as a part of a HOME-assisted project, should count as match.

**Q.4.** Do you have any sense of whether the President will incorporate this [infrastructure investment] proposal into his economic plan? What role, if any, might HUD play in implementing a plan to attract private investment for infrastructure?

**A.4.** As a Mayor, I have no suggestions for structuring this sort of investment. However, I strongly support any effort to provide cities with additional resources for capital improvements. Bridges, roads, airports, parks, and other infrastructure are real economic development—the kind that will pay dividends in terms of job creation for ourselves and our children.

**Q.5.** Do cities have enough supportive housing projects ready to go to absorb this money [\$423 million]? How many jobs will these funds create and over what period of time? What impact will this money have on reducing homelessness in your cities?

**A.5.** Non-profit organizations in Fort Wayne could spend approximately \$145,000 to create 36 new beds for at-risk children and for women who are recovering from "crack" cocaine. These are all "ready-to-go" projects.

If these funds were available, approximately eight construction jobs would be created immediately. In addition, approximately 10 FTE positions would be created to work with the residents.

**Q.6.** What types of mass transit needs do you have in your community and how do you anticipate increased Federal support will help those needs?

**A.6.** The primary mass transit need we have in Fort Wayne is for additional operating funds. A portion of our fleet will reach the end of its useful life next year; at that time we will need to make capital expenditures. However, our public transportation corporation estimates that we could spend an extra \$1 million on additional bus drivers using the existing fleet. This would create new bus driver jobs and greatly increase the service available to lower-income people.

**Q.7.** What do you estimate to be the need for affordable housing and community development in your cities over the next four years? In this time of limited resources, how much of that need will you be able to meet with HUD's or your own resources?

**A.7.** (1) Housing—City staff estimate that there are approximately 1,000 unserved homeless, people in our community (Allen County) at any given time. We have approximately 7,660 families in need of financial assistance to pay their rent. Our current local and HUD resources allow us to serve roughly 2,500 families per year.

Local resources are already overloaded trying to meet infrastructure needs. If we are able to come up with our HOME match for 1993 I will consider us more fortunate than many other cities. I do not anticipate that our 1993 local resources will be more than \$200,000. This equates to approximately 10 rehabilitation projects.

(2) Infrastructure—There are roughly \$29 million in repairs needed to our roads this year just to make them minimally acceptable. We are working to increase our local reliance on income taxes which could provide us with slightly less than \$5 million annually. Every year we fall further and further behind in maintaining our infrastructure.

#### **RESPONSE TO WRITTEN QUESTIONS FROM SENATOR RIEGLE BY WOODROW STANLEY, MAYOR, FLINT, MICHIGAN**

**Q.1.** Given the extraordinary needs facing our distressed communities, what impact will the new money and new programs have?

**A.1.** The new money and new programs of the President's economic stimulus and investment plan will have an extraordinary impact on distressed communities such as Flint. Over the years, Flint has fallen behind in the everyday maintenance of projects involving infrastructure. A housing allocation of \$2-\$3 million represents a positive step in the right direction for meeting the City's needs of fixing up, tearing down or boarding up homes in our community. Our neighborhood groups are working diligently to make such improvements, but are extremely restricted due to the limited resources.

**Q.2.a.** In order to facilitate fast spending and job creation, what statutory and regulatory provisions should the Secretary waive to get the money out into your communities?

**A.2.a.** There are four grant issues the City of Flint finds particularly daunting when considering job creation and economic development, all based on what we believe is an incorrect interpretation of HUD rules in our region. We have met with the local HUD representative and regional program manager, both who support the interpretation. We currently plan to meet with the regional HUD director to discuss our concerns.

Our issues are: Based on the regional interpretation of section 570.208(a)(4), the City of Flint is unable to assist in creating jobs that require more than a high school diploma or for individuals above a low- or moderate-income level. Although the primary purpose of CDBG assistance is for the benefit of low- and moderate-income individuals, it seems impractical for the HUD provision to apply to most economic development activities. In most CDBG-assisted economic development activities, though job creation and retention is the reason for the assistance, the individuals employed are indirect beneficiaries. The requirement of employees providing household income, number of family members, skill and education level can restrict the employer from hiring the best person for the job, ultimately discriminating AGAINST those with higher education or greater skills. Under the current interpretation, an unemployed engineer would not meet the income requirement if hired by a CDBG-assisted business. Given the down sizing of large businesses, there are many skilled individuals needing assistance.

Also, limiting CDBG assistance to businesses that can create or retain low- and moderate-income jobs perpetuates low skill, low paying jobs in the community. By not allowing assistance to businesses that create and retain jobs that require higher skill levels and are higher paying, we are not creating better job opportunities for area residents. Ultimately, we train and educate individuals for jobs we cannot assist in creating, forcing skilled labor to look for jobs elsewhere. The City of Flint is actively pursuing jobs and businesses in high tech fields, a transition much of this Nation is or should be experiencing, especially in industry-dependent communities like Flint. An inability to include jobs beyond a high school diploma has a detrimental impact on most of our efforts in this community.

Also, based on the regional interpretation, HUD is unwilling to fund Flint Community Development Corporation's loan-related costs for the business financing program. It is their belief that such funding is excessive since both FCDC and the City conduct economic development projects within the City. It was determined that although all activities performed were eligible for CDBG funding, certain administrative functions related to operation and monitoring of the program were not eligible special economic development charges, but general administrative activity subject to the 20 percent cap. We do not agree with the interpretation since we feel that the more outreach we do in economic development, the more positive the impact on our community.

Our third concern involves, section 570.203 and business incubators. The City of Flint wanted supplemental funds to assist in operating a business incubator program. HUD refused based on the fact that block grants can only be used for a for-profit entity. Their exclusion means that public and private non-profits are not eligible

for CDBG assistance. Therefore, the City could assist a non-profit to purchase and rehabilitate a commercial property, but could not provide assistance in maintaining or operating the same facility. The ruling seems to imply that CDBG funds can be used to assist a for-profit business in a way that could directly improve its bottom line (profit) as long as it is reasonable. The same type of assistance, however, cannot be provided to a non-profit even though it has no profit motive. We believe we also should be assisting non-profit agencies as well since we offer the incubation program as a public service to businesses unable to afford preliminary costs in operation.

Finally, section 570.603 involves the Davis-Bacon Act. The City believes the interpretation of the act imposes undue hardship upon developers using block grants. We believe that special economic development assistance to private, for-profit businesses in the form of loans, grants or loan guarantees to be used for construction and building repairs does not fall under the requirements of the Labor Standards section. The rationale is that the Federal assistance provided is for the direct benefit of the business and not that of the general public. Construction contracts let directly by the City using CDBG funds, as well as privately issued construction contracts using CDBG funds for projects serving the interest of the general public (such as a senior citizens center) would have to comply with CDBG Labor Standards, section 507.603.

The regional HUD office believes that any developer who wants to expand his or her business using block grants, must pay the prevailing wages for the construction instead of the low bid. We believe such a restriction negatively impacts our ability to increase community development. If the City provides block grant funds to a developer for the sole purpose of purchasing equipment, why impose the Davis-Bacon Act and force that developer to pay prevailing wages?

**Q.2.b.** How many jobs will be created in your communities through CDBG and over what period of time? What types of projects will you spend this money on?

**A.2.b.** The President's plan calls for \$3.6 million to be allocated in the first year of the plan. The City of Flint is strongly considering using the total funding on infrastructure, an area in which the City has fallen seriously behind. We believe the best way to create jobs and draw business to this community is to improve our streets, curbs and utility work, ultimately reinforcing the housing programs and providing the much needed infrastructure for other major developments. Many corporations that consider relocation look seriously at quality of life factors, many of which depend upon a strong infrastructure. The City of Flint must begin dealing with infrastructure issues if it is to attract and keep businesses.

**Q.3.** What types of changes are needed to help localities use their HOME funds?

**A.3.** The City of Flint does not have any serious concerns with the HOME funds. We currently are in the process of structuring the most effective system of delivering those funds to the community through Flint NIPP and the Salem Housing Project.

Some fine tuning could be done on the criterion, however. For example, the regulations indicate that if more than \$15,000 is spend on a unit, that unit must be monitored for 20 years—a duration not practical for evolving communities.

**Q.4.** Do you have any sense of whether the President will incorporate this proposal into his economic plan? What role, if any, might HUD play in implementing a plan to attract private investment for infrastructure?

**A.4.** The City, at this time, does not see a need for a national infrastructure since most communities are responsible for such projects. HUD, however, may be able to play a role if an agreement is created between HUD and private investors. Such an agreement could secure a partnership in which the private investor agrees to pay for the infrastructure if HUD supplies the development funds.

**Q.5.** Do cities have enough supportive housing projects ready to go to absorb this money? How many jobs will these funds create and over what period of time? What impact will this money have on reducing homelessness in your cities?

**A.5.** Flint currently has up to 10 proposals for emergency shelter grants. Our community could undoubtedly use any additional funding.

We are uncertain about the number of long-term jobs that would be created with the funding or how the short-term positions would be counted. Many of our emergency shelters deal with transitional problems involving domestic violence or temporary displacement as opposed to homelessness. There is an estimated 2,000 individuals reported to be homeless in Flint, many of them displaced on a temporary basis due to emergency situations. The additional funding would greatly assist in supplying adequate transitional housing and opportunities for first-time ownership.

**Q.6.** What types of mass transit needs do you have in your community and how do you anticipate increased Federal support will help with those needs?

**A.6.** The mass transit needs in Flint are particularly challenging due to a recent school board decision to have the MTA provide all of the transportation needs for the Flint Community School System. The number of passengers went from 1,300 to 30,000 on an average day. As a result, the work force and number of buses doubled in order to meet the influx of transportation needs. Also, the bus station could no longer accommodate all of the number of users—or buses—so an expansion of that facility is greatly needed. Due to the increase of users and usage, a completely new radio dispatch system also is needed. Within a very short time, the MTA has depleted much of its resources and is in dire need of increased Federal support.

**Q.7.** What do you estimate to be the need for affordable housing and community development in your cities over the next four years? In this time of limited resources, how much of that need will you be able to meet with HUD's or your own resources?

**A.7.** The City of Flint has an enormous need for affordable housing and community development. We could receive \$10 million a year, use it, and still have a tremendous need. Currently, we receive



nearly \$6 million from HUD strictly for housing and community development, and \$900,000 in HOME Funds. The City of Flint has 3,000 vacant units; one-third need demolition, amounting to nearly \$5 million to complete the project. Another 2,000 units require an additional \$10 million for purchase, rehab or resale.

Some 25,000 units in Flint need rehab, estimated to cost another \$25 million. And new construction needs can cost up to \$100,000 per unit.

The City of Flint is in dire need of more funds to provide affordable housing and community development projects to our residents. The City of Flint believes the Michigan State Housing Development Authority and HUD can help us meet our needs by allocating more money or simply restructuring the system to more effectively use the money available.

**TESTIMONY OF WELLINGTON E. WEBB  
MAYOR, DENVER, COLORADO**

**February 23, 1993**

Good morning Senator Riegle. It is my pleasure to join you and the distinguished members of the Senate Committee on Banking, Housing, and Urban Affairs today. I am especially pleased to see my fellow Coloradan Senator Ben Nighthorse Campbell in the Senate and serving as a member of this committee. I appreciate the opportunity to appear before the committee along with Housing and Urban Development Secretary Henry Cisneros and my fellow mayors.

I am currently serving as chair of the Housing Committee for the U.S. Conference of Mayors. When I meet with that committee in March, I will be emphasizing the same top priorities for legislative action which I am highlighting here today. Federal funding for these programs needs to be efficiently and economically targeted.

We in Denver have taken to heart President Clinton's announced economic stimulus plan. Our city is poised to be an active partner with the national government to achieve the President's and Congress' goal to revive our economy.

After a very tough seven years Denver, the metropolitan area and the State of Colorado are finally seeing economic improvement. We have created, in essence, our own economic stimulus package based in large measure on local public sector investment. A number of major projects have helped dramatically to get the city moving again. For example, three years ago Denver voters approved more than \$200 million in capital improvement bonds which are improving our city's streets and streetscapes as well as putting hundreds of people, to work.

But we know that without a healthy national economy these local gains will be short-lived. I offer the following suggestions in your deliberations on the housing and community development components of President Clinton's economic stimulus plan. Overall, I believe the President has presented an exciting and vital program to get this country moving ahead. The President has proposed a \$30 billion stimulus package which will create 500,000 jobs nationwide this year.

We estimate that based on current formula Denver will receive approximately \$7 million of Community Development Block Grant funds under this plan. I'm here to tell you we can put it to work.

- With an infusion of additional Community Development Block Grant funds, the City and County of Denver will be able to accelerate several projects. A low-income rental rehab project would be located at 23rd and Blake streets in downtown Denver, and would result in 70+ units being added to our housing inventory with construction underway by July. A second project, the redevelopment of the Rio Grande building in downtown Denver, would create 65 housing units. A third project, the American National Bank building (also located downtown at Stout and 17th Streets) could result in 200 rental units.

We estimate that for every single-family house rehabilitated 20 people will be put to work, for a small rental project of 8 units 30 to 35 people will be employed, for a large project of 15 units approximately 65 people will be placed.

Not only will several hundred people be put to work this year and several hundred affordable rental housing units added to the city's housing inventory but we will have made considerable progress to implement our city's Downtown Agenda, critical to our city's future economic success. Increasing the number of housing units downtown is a key element in revitalizing our center city.

- Community Development Block Grant funds work. Let me show you how we have used these monies to create jobs. Between last April and the end of 1992, the Mayor's Office of Economic Development utilized \$3.1 million of Community Development Block Grant funds for its Small Business Loan program—a revolving loan pool. Eighty percent of the loans and 64 percent of the monies went to disadvantaged businesses; 80 percent of the loans and 74 percent of the monies went to minority and low-income neighborhoods. The \$3.1 million in small business loans resulted in 300 new jobs being created. This amounts to one new job for every \$10,000 of Community Development Block Grant funds being loaned out. The CDBG monies also allowed us to leverage private sector funds at a 2 to 1 ratio. For every \$1 of CDBG money, \$2 of private sector funds were committed. This resulted in approximately \$10 million being committed to projects, with an estimated \$7 million in private sector funds being committed.

Additional monies being committed to the CDBG program by the proposed economic stimulus package could result in the following loans being approved:

- Additional CDBG funds might allow a \$700,000 loan to be extended to the proposed Five Points Media Center. This loan would be part of a \$3 million public/private financing package. This facility would be located in an emerging minority business area, north-east of downtown. Channel 12 public television and KUVU radio, both existing concerns, will relocate to the center. In addition, a production and training facility will be created. This project will create 20 new jobs, specifically targeted to minorities with the primary thrust of encouraging careers in broadcasting. This will assist with the advancement of minorities into professional career tracks.

- On Guard Systems, an existing company located in lower downtown Denver, manufactures medical sterilization devices and containers and employs many disadvantaged and minority workers. The company has requested a loan for \$100,000 to expand. This loan would enable them to add 20 additional people to their payroll.

- A third project would enable another 20 to 25 new jobs to be created in Denver with additional CDBG monies. Jay Tire is a start-up business which will recycle old tires into crumb rubber for use in road construction. The business has applied for a \$75,000 loan as part of a \$400,000 project.

- Increased CDBG funding would also give us monies for additional homeless housing. Specifically, the cite would direct these supplemental funds to women's shelters, transitional housing for people newly arrived in the city without resources for shelter, and SRO (Single Resident Occupant) housing. These funds would go for construction and service jobs. One example of a ready-to-go project for the homeless would go to an existing 22-unit building at 18th Avenue and Ogden Street east of downtown Denver. This project is managed by the Denver Emergency Housing Coalition, a non-profit coalition. The building is used to house people who have been in temporary shelters and is intended to give people a chance to get on their feet. The building is in need of window replacement and central heating improvements in addition to bringing it up to general decency standards.

- Within the City and County of Denver's budget for Capital Improvements, the only projects in the Parks Department which we have been able to fund in recent years are those which involve repairs or handicapped access. With additional CDBG monies during this year, we could employ young people this summer on projects which are already designed and ready to go. And our beautiful parks would be safer, more inviting spaces.

Mr. Chairman, I also want to make a couple of remarks relative to the long-term public investments proposed in the President's plan.

- First, the Low Income Housing Tax Credits should be permanently extended. The Colorado Housing Finance Authority only has \$1.2 million available, with \$4 million in applications submitted. If this program is extended, several projects could be started in the near term. The vacated building, the historic Cooper Building located at 18th Avenue and Logan Street near downtown, could be renovated. This will result in 24 new rental housing units being made available to low- and moderate-income families.

- Second, the Mortgage Revenue Bond program for single-family and multifamily housing projects should be extended. This is an important program in our city. It allows moderate-income people the opportunity to purchase affordable housing. I would ask for consideration that the requirements within certain target areas, such as downtowns, be lifted to allow more affordable housing in the range of \$80,000 to \$150,000 to qualify.

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## United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
 URBAN AFFAIRS

WASHINGTON, DC 20510-6075

January 11, 1993

The Honorable Bill Clinton  
 President-Elect  
 Presidential Transition Office  
 1120 Vermont Avenue, N.W.  
 Washington DC 20270

Dear Mr. President-Elect:

We are writing to urge you to include Federal housing and community development programs as a key part of an economic stimulus package. Like infrastructure, these expenditures generate jobs both through construction and rehabilitation activities and increased demand for products. Most importantly, these programs are highly effective at targeting stimulus to distressed communities and among chronically unemployed people. Housing and community development expenditures are a powerful force in generating jobs:

- Approximately 18,000 jobs are created for every \$1 billion in public housing modernization funds spent;
- 21,000 jobs are created in local communities for every \$1 billion in Community Development Block Grant funds spent;
- An estimated 56,000 jobs and 100,000 new low income housing units were created in 1991 by the Low Income Housing Tax Credit; and
- An estimated 40,000 jobs and 120,000 home ownership opportunities were created in 1991 by the Mortgage Revenue Bond Program.

We recommend several programs in the housing and urban affairs area as targeted economic stimulus tools:

- **Community Development Block Grant Program:** Increased appropriations for CDBG, targeted to infrastructure and other job-generating bricks and mortar projects, will enable cities and states to fund projects that are already identified as community

priorities. This program has a strong track record of stemming and reversing the tide of economic decay, creating opportunity for low income people, and has well established channels of distribution to get the money out to where it is needed quickly.

- **HOME Investment Partnership Program:** Accelerated spending of \$2.5 billion appropriated in FY 1992 and FY 1993 for HOME and expedited promulgation of regulations to implement 1992 legislative changes will be an immediate stimulus in local communities, creating thousands of jobs in the construction and building trades.
- **Public Housing Modernization:** Accelerated spending of the \$3 billion in appropriated public housing modernization funds will allow housing authorities to address backlogged repair needs immediately.
- **Housing Tax Extenders:** Permanent extension of the Mortgage Revenue Bond and Low Income Housing Tax Credit programs is needed. As indicated, these programs are powerful job-generators. President Bush vetoed the extension of these critical programs -- thus resulting in the loss of two of our most important affordable housing tools.

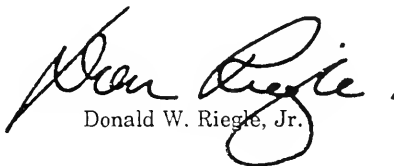
We strongly urge you to include housing and community development investments as part of an economic stimulus package. These investments create significant numbers of new jobs, are targeted to the most desperate populations, and create much needed affordable housing opportunities.

Thank you for your consideration of this matter.

Sincerely,



Paul S. Sarbanes



Donald W. Riegle, Jr.



# A Special Letter From The Secretary

February 1993

## Dear Colleague in Community Investment:

President Clinton has asked us to meet specific goals for our nation's communities and cities. As a result, we are reinventing HUD to help restore prosperity and safety to our communities, ensure a growing supply of liveable and affordable housing, stimulate economic growth, and rekindle hope in the hearts of the American people.

These goals are a challenge to us all and, to achieve them, we will forge a working partnership with the business and nonprofit communities, with voluntary organizations, with the Congress and all levels of government. Through this partnership, we can meet the housing, community, and economic needs of the American people.



President Clinton, HUD Secretary Cisneros, and Mayor Bill Altheus of York, Pennsylvania, listen to the urban revitalization ideas of Commissioner Larry Hawkins of Dade County, Florida.

From time to time, I will use this special letter as one way to communicate with those of you who share our commitment to meeting the housing needs of the American people and revitalizing urban America. Your contributions describing new innovations and partnerships, and creative ideas, can have a voice here.

On February 5, my staff and I met with mayors and representatives from nearly 40 major cities to hear their concerns and ideas and to inform them of some initial steps we're taking at HUD to make our programs more responsive to urban America.

The mayors told us of many housing and community development projects they have ready to put in place that need critical HUD funding. Offering suggestions to make

HOME and other HUD programs more workable, they urged us to ease regulatory impediments.

After our meeting at HUD, the mayors and I met with President Clinton at the White House. The President reiterated his commitment to cities, emphasizing the importance of stimulating the economy by creating jobs and his support for maximum flexibility in federal programs.

President Clinton issued a Presidential Memorandum ordering HUD to act on two important community investment programs: improvements in the HOME program and accelerated processing of Public Housing Modernization funds. I'd like to share with you what we at HUD are doing to implement the President's directive:

## 1. HOME Program Improvements

The HOME Investment Partnership Program authorized by the Congress helps states, local governments, and Indian tribes increase the supply of housing for low-income persons. Funds are allocated on a formula basis of 60% to localities and 40% to states. Since issuance of regulations in 1991 and obligation of FY 1992 funds, only 4% of HOME funds have been committed by participating jurisdictions, and only 2% have been expended. Two-thirds of the 435 jurisdictions have not yet set up their first project, and local officials and housing providers have expressed growing frustration with the program's complexity.

To reduce confusion, simplify program requirements, and expedite expenditure of the \$1.5 billion in FY 92 funds already obligated by HUD and the \$1 billion in FY 93 funds for which a Notice Of Funding Availability already has been published, we plan the following steps:

**Regulatory changes:** By April 1993, HUD will publish regulatory changes which increase flexibility in HOME program implementation. One modification, based on consultation with House and Senate authorizing committees, will clarify that a jurisdiction may use up to 10% of HOME funds initially obligated to it each fiscal year for administrative and planning costs, regardless of the year in which the funds are spent. Housing constituency groups have found the current regulations too restrictive.

**Accelerated issuance of added regulations:** For some recent amendments that are not self-executing, HUD will publish rules for public comment by April and will explore moving directly to an interim rule for key provisions.

**Reduced confusion through improved public information:** In March, HUD will issue a notice explaining the applicable environmental review requirements and highlighting exemptions and options already available to

## From the Secretary

**Jurisdictions:** We will act to improve public understanding of the program, offer model programs as guides, and outline steps to streamline program operation. Regional and area workshops will be conducted as part of this effort.

**Rapid approval and targeting of technical assistance funds:** HUD will award the remaining unused \$5.5 million in technical assistance funds by the end of the fiscal year, committing the bulk of them by the end of June. This will increase the level of technical assistance resources available through states and national organizations that can help cities develop HOME projects. It will increase the level and kind of training already under way, including special targeting of assistance directly tailored to a community's needs. We will focus direct technical assistance resources on 35 key jurisdictions which account for nearly half of all funds and whose performance is critical to accelerating HOME expenditures.

**HOME statute modifications:** We will evaluate statutory modifications that could accelerate HOME program implementation. And, we will work for enactment of technical changes to facilitate its implementation.

**Streamlining of conflicting program requirements:** We will propose bringing into conformance such conflicting program requirements as those for HOME and CDBG administrative costs. A task force within HUD's Community Planning and Development office will complete its analysis within 45 days.

*All of these actions will provide a new start for the HOME program, which was intended to serve as a block grant program for housing. It was designed to make it easier to create and improve housing at the local level. Please reconsider HOME as a major new housing tool and contact your field office if you need help to use it immediately.*

## 2. Public Housing Modernization Acceleration

HUD is working to accelerate obligation and expenditure of two pools of appropriated funds for the Public Housing Modernization program -- \$3.1 billion appropriated in FY 93 and \$6 billion of unspent appropriations from previous years. This will significantly accelerate future public modernization appropriations.

These actions will expedite necessary physical improvements to public housing, improving the quality of life of residents of Public and Indian housing and increasing the supply of housing for low-income people.

The Comprehensive Grant program and Comprehensive Improvement Assistance program (CIAP) were created to preserve existing public housing developments and keep them in good condition. The Comprehensive Grant program is allocated by formula grant to all Public and Indian Housing Authorities with 250 or more units.

The CIAP is open to competition by all PHAs with less than 250 units.

Previously, HUD would not release appropriated modernization funds until the end of the fiscal year. We will accelerate the delivery of these funds and their ultimate economic impact on the people and communities they serve.

**Early approval of funds:** We are giving PHAs the option of immediately submitting their Comprehensive Plans and Annual Statements, rather than waiting for the scheduled spring and summer dates. We also will decrease substantially the time between application submission and draw-down of funds. This will make funds directly available as early as June, rather than the standard September date, for PHAs whose applications have been approved.

**Encouraging 2-year action plans:** PHAs with 250 or more units are encouraged to make early submission of Annual Statements covering two-year periods instead of one-year periods. This gives PHAs greater flexibility in shifting work items among years and will curtail the need for public hearings before expenditure of additional funds.

**Development of accelerated action plans in each Regional Office:** Each HUD Regional Administrator must determine, within 30 days, the total amount of pre-1990 funds that remain unobligated by PHAs, assess why such funds are unobligated, and begin expediting their obligation and expenditure.

**Accelerated review of the program:** HUD's Office of Public and Indian Housing will review additional activities that can be implemented to accelerate other stages of the FY 93 process. This is intended to help reduce processing times for FY 94 and subsequent years.

Accelerating expenditure of funds will provide considerable stimulus to the construction industry. The FY 93 funds alone amount to approximately \$3.1 billion. For FY 94, these steps should accelerate the availability of funds by up to six months.

*Both HUD and the public housing authorities must act with urgency to put modernization funds to work. It is very difficult to ask for new funds when critics can point to appropriated funds that are not being used. More important, too many Americans are living in public housing units badly in need of repair. We at the HUD central office want to be part of the solution and put the funds to work as they were intended.*

The President has made it clear to those of us in the Cabinet: we are to work to create a better life for all Americans and we are to reshape Federal institutions to achieve those ends. At HUD, we are starting with HOME and Public Housing Modernization. We look forward to working with our allies in our mission of building communities.

*/ Henry Cisneros*

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